

BUSINESS WEEK

JAN. 11, 1947



The Atomic Age's first management man - Carroll L. Wilson (page 8)

BUSINESS
WEEK
EX

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WASHINGTON OUTLOOK



Truman's messages this week are no forecast of this year's laws. For the most part, Congress will read them and will then forget them.

They do suggest how the President will deal with the Republican majorities on Capitol Hill. Truman has accepted philosophically his position as a minority President.

He doesn't—as he might have—set out for the record a Democratic platform for 1948.

He doesn't condemn the direction that Republican policy is taking. What he does do is confine himself to a set of measures on which he and Congress might conceivably agree in part.

The full force of Truman's program was sacrificed in order to establish the key position of the Economic Report. He put the meat of his legislative proposals into this novel document—called for by his pet "full employment" law—rather than in the traditionally headlined State of the Union Message.

This enabled him to knit his program into a tight pattern against a background appraisal of the country's economic situation made by the new three-man Economic Council (BW—Dec. 21 '46, p5).

THE PITFALL TRUMAN SEES ahead this year is inadequate consumer buying power. His council told him that if the 1946 employment level should continue through '47, the nation's output would be about \$215-billion—\$20 billion more than last year. But it added that the production of this increase from greater efficiency rather than from higher employment would mean no corresponding increase in buying power. "The greater part of the additional income would be represented in the surpluses of governments and in reserves of business concerns."

Truman wants to switch more income to low bracket earners to assure better balance. That is why he plumps for a higher statutory minimum wage and larger social security and unemployment benefits. Also for government housing and continuation of rent controls.

But what the President mainly advocates is voluntary price reduction—particularly in such lines as food, clothing, house furnishings, and building materials. He proposes no government action to this end except an invigorated antitrust drive against collusive pricing.

TAX CUTTING IS OPPOSED by Truman despite his anxiety over waning purchasing power. Instead, he would apply any surplus to debt reduction. This is

puzzling to Republicans who expect to make capital out of his own economic analysis to support their tax relief drive. They read the signs differently.

Any tax reduction bill the Republicans pass can be carried over a veto. So the presidential position on taxes isn't really important.

The only brake on the G.O.P. is its own commitment to a balanced budget. The federal budget is a stubborn thing (page 17). The only big cuts left are military. And the Republican congressmen led the applause for Truman's rejection of any reduction in military strength.

The House may smash through what amounts to a flat 20% income tax cut, ignoring budget worries. But the Senate Finance Committee, which Taft dominates, will be cautious. It will want to see a budget surplus first.

And the senators have been more alive to the political necessity to sweeten the bottom of the pot by applying a portion of the tax relief to increased exemptions.

On war excise taxes (page 20) the present House intention is to retain indefinitely the wartime boosts on liquor, transportation, and communication now scheduled to die June 30. Remaining emergency rates are to be killed at once to avoid paralyzing luxury trades between now and July. The bill might become law before the end of February.

STIFFER LABOR LEGISLATION than the President specified is likely (page 18). Of course, he himself invited something stiffer when he recommended a special commission to frame measures dealing with nationwide strikes in vital industries such as transportation, coal, oil, steel, and communications.

It's doubtful whether the Republicans will work through a commission. They have already laid out their schedule: (1) a quick bill to outlaw portal-to-portal back-pay suits; (2) the Ball-Taft-Smith revision of last year's Case bill, and (3) a broad but still somewhat hazy revision of the Wagner Act to deal with such issues as industrywide bargaining and the closed shop. (Taft and Ball might see political profit in using a Truman-sponsored commission to spread the onus of this last bill.)

High living costs may prompt some Republican support for the President's recommendation that old-age social security benefits be raised, especially since such action would have no effect on the wage structure.

Less likely is action raising minimum wages and

WASHINGTON OUTLOOK (Continued)

unemployment compensation. The state's rights argument will be advanced against the latter.

Health insurance and medical care, bitterly opposed by the doctors, have even less chance this year than last.

There's no telling what will happen to the long-range housing bill (Wagner-Ellender-Taft). It faces organized industry opposition—to which this Congress is probably at least as susceptible as the last. However, the powerful Taft name is on the bill.

TERMINATION OF HOSTILITIES by Truman on New Year's Eve (page 20) loaded the Republicans with the job of formulating a long-term postwar farm program. If he had waited 24 hours, the Steagall price-support guarantees would have run until 1950. Now they run out at the end of 1948. The Republicans will have to come up with an answer before the presidential election.

Here's an issue which catches them squarely between the farmer and the consumer. Though farmers have swung Republican, their leaders look back longingly to the prewar New Deal policy of promoting high food prices and restricting production.

But Republicans—like Chairman Hope of the House Agriculture Committee and Sen. Aiken, the power in the Senate committee—lean toward a policy of low prices and plentiful production (BW—Dec. 7 '46, p. 5).

Rather guardedly Truman supports the same position in his Economic Report. He warns of the dangers of government-supported prices, calls for maximum production rather than restriction of crops, and urges expansion of domestic demand by liberal financing of chemurgic and market research, by extension of the school lunch program, and in glancing indorsement of Sen. Aiken's expanded stamp plan if the going gets rough.

Republicans have already dodged the touchy immediate problem of administering the Steagall price supports now that surpluses are beginning to appear.

The law doesn't say whether price support can be limited to production within government-set goals. Confronted with a potato surplus, Agriculture Secretary Anderson last November asked Congress for guidance. He didn't want to bear alone the anger of farmers.

As expected, Rep. Hope has insisted that Anderson hold the sack. He announced this week that Congress will take no action and the department must interpret the law to suit itself.

IF TRUMAN PUTS UP a real fight for anything,

it will be for foreign trade expansion policy. He's trying to get in ahead of the expiration of the Hull reciprocity trade act in June, 1948. Although he made his usual plea for its renewal, he can have little hope that the Republicans will oblige—except with a crippling requirement for congressional approval of each agreement.

There's a strong G.O.P. movement to throw out the whole thing and substitute closed bilateral agreements with no most-favored-nation feature.

It's in an effort to keep the reciprocity program effective after 1948 that the Administration is now buttoning up a broad group of postwar agreements.

Republicans have no chance of intercepting the agreements by a frontal attack on the law. Democrats will sustain a presidential veto. Some Republicans are hoping to reach the law by means of a rider on some key appropriation bill. Earlier talk of hitting at the trade agreements by attaching limitations to congressional approval of the International Trade Organization charter has evaporated now that it appears the charter won't reach Congress till the spring of '48.

APPOINTMENT OF GEN. MARSHALL as Secretary of State (pages 15, 95) could put an awkward hitch in the Administration's foreign policy. Despite—really because of—Marshall's immense popularity, he may encounter a weakening of Republican willingness to go along on the present bipartisan basis. The Republicans have got to note that the General now stands out more than ever as a potential Democratic presidential candidate.

Truman counts on Marshall as his only hope of pushing draft extension and universal military training through Congress. Appointment of the General underlines for reluctant congressmen the military requirements of our foreign policy as the No. 1 world power.

Byrnes has had to abandon his desire to handle the final peace treaties with Germany and Japan. He's standing by in South Carolina for the next opening on the Supreme Court.

TRUMAN MAY BE TAKING a sly poke at Sen. Taft's presidential ambitions if he nominates Marion Martin for the vacancy on the Federal Communications Commission. Miss Martin's resignation as Woman's Director of the Republican National Committee was widely assumed to have been forced on the committee by Taft people. They suspected her of Dewey leanings. However, Taft forces may take her nomination with good grace. G.O.P. Chairman Reece is said to be seeking a good spot for her to quiet the fuss raised in the party by her ouster.

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THE COVER

"The Atomic Age's first management man" is the way history will remember Carroll L. Wilson. History will be a little wrong as usual—industry's management men were on the stage for the opening scenes of the atomic drama at Oak Ridge, Hanford, and Los Alamos. They are still on the stage, contributing their companies' know-how to the government project.

But Wilson gets the title for history. On confirmation by the Senate, he becomes President Truman's appointee as General Manager of the Atomic Energy Commission, with a salary of \$15,000 a year. He will be operating executive for that body and for David Lilienthal, its chairman. "Operating" means pushing the peacetime development of atomic power, America's first nationalized industry. How far he will be able to go in forgetting that it's also a war industry depends.

• **Trained for Management**—Wilson, as a management man, makes a neat fit with history. He was graduated from Massachusetts Institute of Technology in 1932, from the famous "Course 15." This curriculum (engineering and business administration) was intended to train young engineers for executive responsibility, sooner or later. In 1932, when there were few jobs of any kind loose, it looked as though it would be considerably later.

But Wilson was in administrative work almost from the beginning, originally as assistant to Karl Compton, M.I.T. president, and Vannevar Bush, Dean of Engineering. When the outbreak of war carried Bush to the directorship of the famed Office of Scientific Research & Development in Washington, Wilson went along with him as a hard-thinking, hard-working assistant. His job was to know more about OSRD's day-to-day affairs than any other one man. The way he covered that job, dug into its atomic energy assignments, and later labored on the Lilienthal-Acheson report proposing an International Atomic Development Authority put him where he is today.

• **Out in Front**—That, plus what classmates at M.I.T. remember as a talent for being in the know and keeping his mouth shut about it, a smooth manner, a flair for getting along with people and for winning the trust of older men in useful positions of authority. These assets have paid off as Wilson, at 36, comes out from behind the scenes as the man for the age.

The Pictures—Int. News—15, 74; Press Assn.—16, 17, 84; Harris & Ewing—17, 84, 98; Acme—17, 24, 55, 56, 68, 84; Bachrach—64; Gamett Publishing Co. Inc.—21; British Combine—62.

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BUSINESS OUTLOOK

BUSINESS WEEK

JANUARY 11, 1947



Wage talks that open in steel next week, and those to follow in other industries, are among the most important ever undertaken.

Everyone is familiar with the short-range significance: Shall we have a wave of paralyzing strikes or a round of inflationary pay rises?

But the deeper meaning is long range. Wage increases won now inject a more or less inflexible element into prices; they point to labor strife when industry later faces the necessity of cutting costs.

Many lines—building, autos, steel, electrical equipment—can make wage concessions now. That's because they can ask, and get, higher prices in this sellers' market for everything they can turn out.

But this won't always be so. Higher tags on products will price many lines out of the mass market. They can skim the cream now, but later they will have to go after the bread-and-butter business.

When that time comes, costs will have to be cut. You can pare only so much on raw materials. Then comes the question of pay cuts.

It won't be easy to force wages down. C.I.O. unions have never faced such a demand. Thus union leaders would be squarely on the spot.

The thought of what might happen is anything but a pleasant one.

Wage increases in the construction industry aren't likely to add much to the cost of building at the present time.

The reason is that other inflated building costs will go down.

There will be less demand for the types of materials that go into single-family dwellings. Not too many people will be able to afford to build at present prices. And output of many materials is way up.

Lumber production, for six consecutive months, topped 3 billion board feet and inventories are gradually being rebuilt.

But there's another angle on wages. Construction employment has been declining for several months. An easier labor market means less pirating of workers and less necessity for overtime.

Overtime was largely written off for the construction industry in New York City in a wage agreement concluded this week.

Workers will get 25¢ to 40¢ more an hour. But they also will work eight instead of seven hours, giving up double time for the eighth hour. And the work-week will be held to 40 hours except in emergencies.

The steel wage talks are vital to all metalworking industries.

Users of steel have only begun to feel the price advances and adjustment of "extras" announced a month ago. And prices have been marked up on several additional products within the last few days.

If the United Steelworkers win any major wage concession, prices presumably will go up again. That wouldn't help the auto industry, for example, to bring down the prices of cars and trucks.

And the upward pressure on industrial raw materials isn't confined to steel. Lead was marked up again this week to meet higher world prices.

Lead now is 13¢ a lb. in New York against 8¼¢ under price control.

Stock market prices confirm that all is not well in the liquor industry.

BUSINESS OUTLOOK (Continued)

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Leading distillers' shares are now at about half of their 1946 top levels.

Drinkers aren't likely to hold off buying until June 30 waiting for the excise tax to be cut (as prospective buyers of furs, jewelry, and other luxury items are reported to be doing).

But package stores, in many cases, were very disappointed with their holiday sales. Then, too, there are more top-drawer suppliers than ever before to muddle the price picture at the distiller level. Hence some retail cut-raters are up to their old tricks; rum and "Scotch type" whisky, in particular, have been slashed.

Sugar and the fats and oils are two commodity groups that will remain scarce this year, but supplies will be the best in a long while.

For the first time since 1942, the United States will import more fats and oils than it exports. Normally, we rely heavily on imports, particularly of the inedible fats and oils used in industry.

This year's schedule calls for imports of 240,000,000 lb. of fats and oils with exports amounting to 138,000,000. At home, the big corn crop should mean feeding hogs to heavier weights, hence more lard.

The larger Cuban sugar crop has been counted on to mean more sweetener this year.

Now comes an unexpected bit of good news. Semiofficial reports indicate Java has 700,000 long tons available for export, while as much as 800,000 additional tons may be available in "invisible" stocks.

Before the war, Java exported close to 2,000,000 tons a year. Any shipments from this source should leave more Cuban sugar for the U. S.

Even so, the world will probably get 2,000,000 to 3,000,000 tons less than the 35,000,000 tons used annually before the war.

Passenger car tires continue short, but this shouldn't last long.

Production last year totaled more than 67,000,000 casings, not counting truck tires. That's 15,000,000 over the best previous mark.

But even 1946's record output isn't the most important fact. Output rose steadily throughout the year; by November and December, the monthly rate was up to nearly 6,500,000 tires.

If we keep that up, 1947 output would run to 78,000,000 casings.

Big increases in retail sales in the Christmas and New Year weeks cannot be accepted at their face values.

In the first place, there were two shopping days before the holidays in each of the 1946 weeks but only one in 1945.

Moreover, stores cut prices to move merchandise even before the holidays this time. Some of the sales may have been borrowed from January.

Men's suits should be in much better supply by next autumn.

The wool trade expects to duplicate its record 1946 output of over 500,000,000 yards in 1947. And a greater portion will be men's suitings, less for women. Emphasis now is on better quality for women's dress goods.

Meanwhile, the Dept. of Labor has surveyed a group of veterans and reports that nine out of ten want one more suit—but at a top of \$35.

FIGURES OF THE WEEK

THE INDEX (see chart below). *188.5 188.0 178.4 173.4 162.2

PRODUCTION

Steel ingot operations (% of capacity).....	89.7	87.7	69.8	85.2	97.3
Production of automobiles and trucks.....	56,919	†67,070	93,907	13,920	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$12,994	\$14,732	\$14,900	\$11,065	\$19,433
Electric power output (million kilowatt-hours).....	4,574	4,442	4,673	3,865	3,130
Crude oil (daily average, 1,000 bbls.).....	4,649	4,713	4,695	4,540	3,842
Bituminous coal (daily average, 1,000 tons).....	1,825	†2,200	410	1,455	1,685

TRADE

Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars).....	85	83	88	76	86
All other carloadings (daily average, 1,000 cars).....	57	57	35	50	52
Money in circulation (Wednesday series, millions).....	\$28,951	\$29,163	\$28,906	\$28,491	\$9,613
Department store sales (change from same week of preceding year).....	+76%	+26%	+3%	+28%	+17%
Business failures (Dun & Bradstreet, number).....	30	38	37	13	228

PRICES (Average for the week)

Spot commodity index (Moody's, Dec. 31, 1931=100).....	376.0	†377.4	370.1	264.7	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939=100)....	266.2	†265.9	258.5	169.7	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939=100)....	308.7	†306.9	311.3	232.8	146.6
Finished steel composite (Steel, ton).....	\$67.82	\$64.91	\$64.45	\$58.27	\$56.73
Scrap steel composite (Iron Age, ton).....	\$31.00	\$31.17	\$25.00	\$19.17	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	19.500¢	19.500¢	19.500¢	12.00¢	12.022¢
Wheat (Kansas City, bu.).....	\$2.05	\$2.06	\$2.05	\$1.69	\$0.99
Sugar (raw, delivered New York, lb.).....	5.57¢	5.57¢	5.57¢	3.75¢	3.38¢
Cotton (middling, ten designated markets, lb.).....	33.32¢	†33.20¢	31.48¢	24.46¢	13.94¢
Wool tops (New York, lb.).....	\$1.588	\$1.602	\$1.640	\$1.330	\$1.281
Rubber (ribbed smoked sheets, New York, lb.).....	22.50¢	22.50¢	22.50¢	22.50¢	22.16¢

FINANCE

90 stocks, price index (Standard & Poor's Corp.).....	121.7	†120.9	119.3	138.6	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's).....	3.15%	3.16%	3.18%	3.04%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's).....	2.59%	2.60%	2.61%	2.57%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	14-14½	14-14½	14-14½	1.00%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	1%	1%	1%	¾%	¾-1%

BANKING (Millions of dollars)

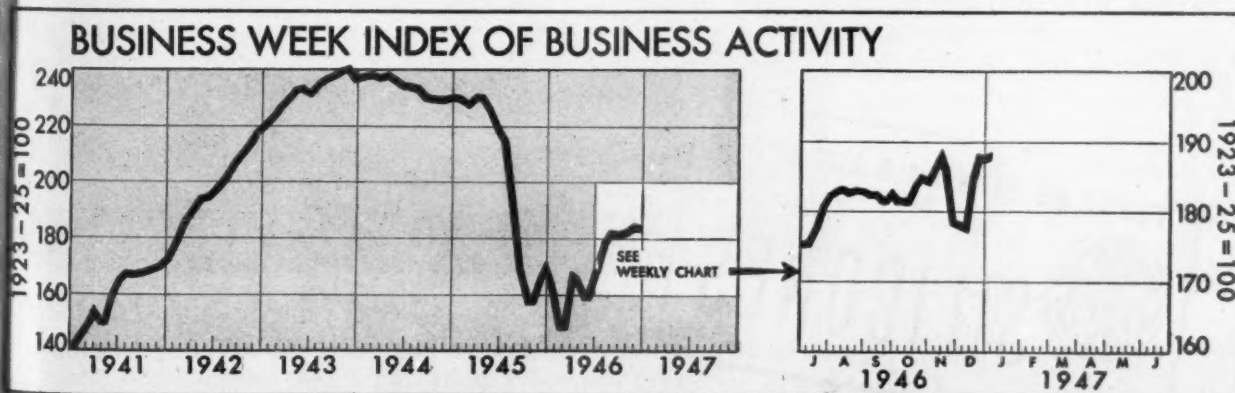
Demand deposits adjusted, reporting member banks.....	39,981	40,536	39,999	37,066	23,876
Total loans and investments, reporting member banks.....	56,153	56,173	57,583	67,948	28,191
Commercial and agricultural loans, reporting member banks.....	10,269	10,334	10,171	7,249	6,296
Securities loans, reporting member banks.....	2,493	2,572	2,556	5,749	940
U. S. gov't and gov't guaranteed obligations held, reporting member banks....	36,029	35,837	37,623	48,674	14,085
Other securities held, reporting member banks.....	3,430	3,416	3,354	3,384	3,710
Excess reserves, all member banks (Wednesday series).....	560	970	700	1,439	5,290
Total federal reserve credit outstanding (Wednesday series).....	24,093	24,877	24,585	24,847	2,265

*Preliminary, week ended January 4th.

†Revised

‡Ceiling fixed by government.

§ Date for "Latest Week" on each series on request.





Yes, the new silicone plant we're building up at Waterford, N.Y., can help you paint a rosy future. And we use the word *paint* advisedly. Because silicone resins for paints—amazingly permanent and resistant—are among the remarkable new products of General Electric silicone research.

G-E scientists estimate that within five years, silicone-formulated paints and finishes will be setting new standards of protection for automobiles, refrigerators, ranges, hospital equipment, and other products. Silicone finishes are extra tough. They retain their original gloss and color *indefinitely*. Florida sun or Minnesota winter can't hurt them.

Neither will mild acids, alkalis, hot grease, iodine, fruit juices or other common deteriorants.

Silicone resins for paints are just one of the exciting new products which General Electric's increased silicone production will make possible. There are silicone oils, characterized by an amazing ability to withstand great variations in temperature without damage. They undergo very little change in viscosity through a temperature range of from 55 below zero to 520 F.

Silicone rubbers, silicone greases, and silicone resins promise to have applications where resistance to extremes of heat and cold are important.

Another result of G-E silicone research is DRI-FILM,* a new water-repellent material. DRI-FILM offers new possibilities in waterproofing such things as textiles, paper, ceramics, plastics, and glass.

What about full-scale silicone production? General Electric will have the new Waterford plant in operation by spring. In the meantime, while we are getting ready to make silicones in quantity, many manufacturers are thinking of how they can apply them advantageously in their own businesses. For further information, write Chemical Department, General Electric Company, Schenectady 5, New York.

*REG. U. S. PAT. OFF.



GENERAL  ELECTRIC

CD40-56

Firm Prices Coming Back

End of escalator contracts is foreseen as many large companies drop blank check trading. Uncertainty over the wage outlook and some materials shortages slows the trend.

Ever since 1941, a large part of the business and industrial community has been buying and selling via blank check. Even under OPA, prices could rise over night. So the "escalator" contract—under which the buyer committed himself to pay higher prices if there were any boosts between order and delivery dates—grew into full fashion.

Now signs are appearing that "escalators" are on the way out.

• **The Evidence**—Most spectacular evidence of this trend comes from two giants in the heavy machinery field—Ingersoll-Rand and Worthington Pump & Machinery. Both are back to firm prices, promising not to vary their charges within certain time periods. Additionally:

• About 90% of automotive suppliers are quoting firm prices on latest "releases" (orders for big groups of items).

• Half a dozen big machine-tool makers have stopped blank check trading.

• At least one major building material manufacturer promises firm prices in the next month. But first he wants to see where labor costs are heading.

• **Stumbling Blocks**—Uncertainty over the coming wage pattern is keeping a whole host of manufacturers from taking the firm-price pledge immediately. Once this group knows how it stands with labor, it may be able to quote prices without hesitation. In short, establishment of a wage pattern will hasten the death of escalator contracts.

A second stumbling block is continued shortage of materials in some broad areas.

This combination of wage uncertainties and lack of materials will hold back firm prices in some lines for quite a while to come. For example, quick ac-

WASHINGTON OUTLOOK

With this issue, Business Week has three Outlooks—Business (page 9), International (page 95), and Washington (page 5).

The change in the Washington pages has been made on the basis of careful and prolonged readership surveys. These surveys have demonstrated the interest and usefulness to readers of the "outlook" technique applied to Business Week's special services. This technique is now extended to the special service prepared by the Washington Bureau.

tion is unlikely in the following categories:

- Products primarily made of iron and steel.
- Products made of the scarcer nonferrous metals, notably copper.
- Products in which human labor is a heavy cost factor.

Those suppliers who already have resumed firm prices show certain common characteristics. All are big enough to enforce more or less orderly pricing among their own suppliers. All are anxious to get the jump on their competition. All believe that prices will soon level out in their fields anyhow. And all are anxious to stabilize their business by putting an end to the messy blank check trading.

• **More "Low-End" Lines**—Purchasing agents think there is another factor that could hasten the trend toward firmer prices. That is the reappearance of "low-end" lines.

During the war, OPA regulations often permitted higher profits on expensive lines than on low-end stuff. This put extra heat on the prices of top-bracket goods while driving cheaper products off the market entirely. Now the low-end lines are reappearing. This takes the heat off the plushy merchandise—causing a firming at all levels.

On the other hand, a long period of wage uncertainties could throw the trend for a loss. Automotive suppliers, in particular, say they will go back to escalator clauses if wages begin to gyrate sharply. They don't think it will come to that, but they have their fingers crossed.



THE GENERAL CHANGES THINGS

Appointment of Gen. George C. Marshall as Secretary of State to succeed James F. Byrnes means a shift in emphasis in foreign policy (page 95), puts a new force behind moves to strengthen the military basis of that policy, and adds a fresh note to the political speculations about 1948 (page 6).



Reporting on the state of the union, President Truman pleads his case before a discriminating jury.

Nobody's Pleased

That sums up reaction of government, distributors, and exhibitors to new movie decree regulating trade practices.

The movie industry, long plagued by litigation over trade practices, faces more of the same.

A federal district court in New York last week handed down a decree in the government's eight-year-old antitrust action against eight motion picture producers (BW-Oct. 26 '46, p41). There had been feeble earlier expectations that this would settle the controversy over procedures by which distributors license (rent) feature pictures to exhibitors. But the ruling pleased no one; it is sure to be appealed promptly by all hands.

• **New Regulations**—Last June the same court decided that eight distributors and the theater-owning subsidiaries of five of them were guilty of violating the Sherman antitrust act (BW-Jun. 22 '46, p19).

The court now has ruled that divorcement of theaters from the "Big Five" distributing companies—Paramount, RKO, Loew's, Warner, and Twentieth Century-Fox—would be injurious to the companies and to the public. As to trade practices, the court specified:

(1) Distributors may not specify minimum admission prices.

(2) They may not establish blanket systems of "clearance" (time lags be-

tween the first and subsequent runs of a film). "Reasonable" clearance is allowed only in "reasonable" competitive areas.

(3) Long-term franchises (including block booking) between distributors and exhibitors are prohibited.

(4) Licensing one picture cannot be conditional on licensing another.

(5) A distributor who licenses a picture in a competitive area on terms including clearance must offer it for competitive bidding by all exhibitors and accept the highest bid.

(6) Any exhibitor may demand a license for a picture on the same terms and for the same run on which it is licensed to another exhibitor in that area.

(7) Distributor-exhibitors may not make pooling agreements with other exhibitors, whether affiliated or independent.

(8) Distributors owning theaters must have at least 95% interest in them, and all sales or acquisitions of theaters are subject to court approval.

• **Distributors' Reaction**—What irks all parties the most is that the court has set itself up as a permanent supervisor of industry trade practices. The Big Five, by and large, would have taken the court's decree as it was rendered, in preference to what the Justice Dept. really wants—outright divorcement of theaters from distributors. But they are alarmed that the exhibitors find so many faults with the decree, and they fear that its provisions won't work.

The 95% theater ownership provision affects the Big Five unequally,

because of the variation in the number of theaters they own. Hardest hit is Paramount.

The Little Three (Columbia, Universal, and United Artists) own no theaters, and stoutly maintained their innocence of monopoly charges. Columbia, which like Universal has sold its programs on a franchise basis (including block booking), branded the compulsory licensing provisions of the decree as illegal. United Artists, which has always sold its pictures singly, will appeal the competitive bidding and minimum admission price provisions.

• **Government Displeased**—Dept. of Justice attorneys were openly disappointed that the court eliminated complete divestiture of theater properties as a remedy.

They predicted a Supreme Court ruling within five years granting such divestiture upon appeal. They plan to appeal for more stringent controls in the meantime.

• **Exhibitors Critical**—Exhibitors, for whose relief the monopoly charges were originally brought, were divided on details, but agreed that the remedy was insufficient.

Some criticized the decree for mechanical difficulties, claiming that determination of the highest bidder, and of what constitutes "reasonable" clearance and competition would bring a flood of new litigation. Others saw the decision as an invitation to cut-throat competition. Still others figure that under competitive bidding prices for first run showings will go higher than distributors would ever dare to set them.

Truman—Going Their Way

President offers Republicans a program that might have come from a member of their own party. It proposes a balanced budget, mild labor reforms, compromise of most big issues.

President Truman went up Capitol Hill this week with an armful of olive branches. In three reports to Congress—the State of the Union Message, the Economic Report, and the Budget—he laid down a program for his Administration that might almost have been written by a Republican.

This doesn't mean that Truman and the Republican Congress will pull smoothly in double harness. But from now on, businessmen can take it for granted that Congress will set the tone without serious White House opposition. Truman is not prepared to make a bitter-end fight on any issue now in sight.

Something for All—Like Santa Claus' sack, Truman's program contains something for everybody, but fundamentally it boils down to half a dozen major points:

(1) **Labor**—A mild revision of laws designed to outlaw jurisdictional strikes and make arbitration compulsory in disputes over interpretation of contracts. This would be the only immediate legislation clamping down on labor. To handle other hot labor problems, Truman would like to establish a Temporary Joint Commission consisting of twelve members chosen by Congress and eight appointed by him. The commission would study such knotty questions as the prevention of strikes in basic industries (coal, steel, and the like) and make recommendations by Mar. 15.

(2) **Budget**—A balance anticipated with expenditures of \$37,528,000,000 and revenues of at least \$37,730,000,000. Truman still is holding out against any cut in taxes in 1947. His declaration of the end of hostilities automatically makes June 30 the expiration date for the emergency increases in excises (table, page 20), but he wants Congress to restore them before the cutoff date. This would provide an additional \$1,130,000,000 for debt retirement in the fiscal year ending June 30, 1948.

(3) **Housing**—A program along the lines of the Wagner-Elender-Taft bill. The object of the bill would be to stimulate private investment in residential building. The program also would provide for construction of about 100,000 public housing units over a four-year period.

(4) **Monopoly**—A vigorous program of antitrust enforcement and encouragement to small business. This would be an administrative job. The main

thing Truman asks Congress to do is provide the Dept. of Justice with money to expand its antitrust operations.

(5) **Agriculture**—Development of a long-range program to meet farm needs after 1948 when the government's commitment to support prices runs out. Inevitably this means some sort of crop restriction, but Truman is careful to put the emphasis on increasing consumption of farm products rather than on cutting production.

(6) **Social Reforms**—Gradual extension and consolidation of some of the social legislation of the Roosevelt era (though, significantly, Roosevelt's name is never mentioned). This would include an increase in the minimum wage, extension of the social security system and increase in its benefits, higher unemployment compensation, adoption of the health and welfare program Truman presented to the last Congress. Also in this class would fall the grand-scale regional developments,

such as the proposed Missouri Valley Authority.

On all of these six points, and particularly the last one, the Republicans will do as they please. If they follow the Truman program at all, it will be only because Truman happens to be going their way. But Truman gives no indication that he will put up a fight, in any case.

• **Economic Report**—This accommodating attitude is doubly significant in the light of the Economic Report's comments on employment and production prospects for 1947. For between the lines it implies that the country is due for a short but possibly painful readjustment before it settles down to a stable prosperity.

The three men on Truman's Council of Economic Advisers—who prepared the report—made no flat predictions. But they are plainly worried about the way prices have outrun incomes in recent months.

• **Less Purchasing Power**—The council is figuring on something like a 5% increase in the physical volume of total production this year—mainly because of more efficient production and removal of bottlenecks. To take these additional goods, incomes should be increasing.

In money terms, consumer incomes have been rising steadily, but in terms

The President's Budget for Fiscal 1948

Receipts

	Actual, 1946 (fiscal year ending June 30; in millions)	Estimate, 1947	Estimate, 1948
Direct taxes on individuals.....	\$19,008	\$18,637	\$19,120
Direct taxes on corporations.....	12,906	9,227	8,270
Excise taxes	6,696	7,283	6,118
Employment taxes	1,714	1,955	2,694
Customs	435	496	517
Miscellaneous receipts:			
Present law	3,480	3,987	2,620
Proposed legislation			379
Total receipts	44,239	41,585	39,717
Less net appropriation to old-age and survivors insurance trust fund.....	1,201	1,355	1,987
Net receipts	43,038	40,230	37,730

Expenditures

	\$45,012	\$14,726	\$11,256
National defense	1,464	6,394	3,510
International affairs and finance.....	4,414	7,601	7,343
Veterans' services and benefits.....	1,113	1,570	1,654
Social welfare, health, and security.....	—180	544	539
Housing and community facilities.....	88	71	88
Education and general research.....	752	1,117	1,381
Agriculture and agricultural resources.....	257	728	1,101
Natural resources	824	905	1,530
Transportation and communication.....	30	83	426
Finance, commerce, and industry.....	104	124	118
Labor	972	1,545	1,492
General government	4,748	4,950	5,000
Interest on the public debt.....	3,119	2,155	2,065
Refunds of receipts.....		10	25
Reserve for contingencies.....	997		
Adjustment to daily treasury statement basis.....			
Total	63,714	42,523	37,528
Excess of receipts over expenditures.....			202
Excess of expenditures over receipts.....	20,676	2,293	

Congressional Hopper Choked With Labor Proposals

Proposals of what to do about the nation's labor problems came quickly this week from both right and left sides of Congress.

The Republican majority got behind a revised version of the 1946 Case bill, introduced by Senators Taft, Smith, and Ball. The Democratic minority had its proposals, too, coming from both labor's champions—such as Sen. Wagner—and its critics. And the Administration urged a five-point labor program enunciated by President Truman, for:

(1) A ban on jurisdictional strikes and "unjustifiable" secondary boycotts.

(2) Machinery to which disputes over contract interpretations could be referred by either party for binding arbitration.

(3) Broadened social security.

(4) Integrated conciliation and mediation machinery in the Labor Dept.

(5) A study by a congressional, labor, and industry commission of the basic causes of labor-management strife.

• **What Kind of Board?**—Establishment of a federal mediation board now appears a certainty. Opinions about it differ, however.

The Republican subcommittee on labor legislation (Taft, Smith, and Ball) would set up a five-man mediation board in the Labor Dept., and would bar strikes during a 60-day period while the board acted. Sen. Morse, who also was a member of the subcommittee but was unable to attend its pre-Congress sessions, favors the board but wants it established outside the Labor Dept. Democratic Sen. Wagner likewise favors a board, but is opposed to strike restrictions.

The present T-S-B bill eliminates from the old Case bill provisions for appointment of emergency boards in public utility labor disputes, and for

an extended cooling-off period. In the House, however, a five-man Republican bloc has introduced a bill to require compulsory arbitration—and to bar strikes—in disputes endangering public health and safety.

• **Assorted Prospects**—Congress is likely to go along with Truman's request for a ban on jurisdictional strikes and secondary boycotts, and to incorporate them in the revised Case bill. It probably will not support his suggestion for the labor study commission (page 5).

Suggestions for changes in the National Labor Relations Act will be held in abeyance in the Senate for more deliberate study. But the controversial foreman issue is expected to be disposed of in a T-S-B proposal to bar foreman unionization. Deferred matters include Ball's desire for a ban on closed shops, the definition of unfair labor practices of unions, and methods of dealing with industry-wide strikes.

• **The Portal-Pay Proposals**—Portal-pay bills have been given a high priority in congressional committees. A plan for absolving employers of accrued liabilities from portal-pay rulings, by removing such cases from jurisdiction of courts, is contained in a bill introduced by Sen. Wiley, Wisconsin Republican.

Other bills by Representatives Gwynne and Hoffman and Sen. Capehart would redefine the work week to exclude travel and dressing time, absolve employers who act in good faith from subsequent retroactive liabilities, and provide for a one-year statute of limitations on claims.



Robert A. Taft

H. Alexander Smith

Joseph H. Ball

of real purchasing power, they dropped throughout the second half of 1946. Per capita disposable income (in terms of 1944 dollars) was running at a rate of \$958 in the second quarter. By the fourth quarter it was down to \$880. Consumers sustained their demand only by spending a larger and larger proportion of their income, and by digging into the savings they piled up during the war years.

• **Truman's Keynote**—This is clearly a danger signal. Truman's comment on the situation keynotes his whole program. "The government," he says, "can point out dangers seen from the perspective of the whole economy, but the correctives must largely be applied by others." He leaves it up to business to reduce prices voluntarily where possible, and he cautions labor against

driving for across-the-board wage boosts. But there is no hint of compulsion.

Many congressmen infer that Truman is reconciled to the prospect of a mild slump in 1947. He may even be counting on it to solve the problems of inflation that otherwise might force him to draw up a positive program of correction.

At any rate, Truman's decision to let the wage-price adjustment work itself out avoids a head-on collision with Congress. The hands-off policy will stand by common consent.

• **In a Corner on Taxes**—A more likely trouble-breeder is the budget and the whole question of tax revision. Truman's figure of \$37,528,000,000 for total expenditures is bigger than most congressmen expected; and the \$37,730,000,000 he estimates for receipts

(allowing for the excise tax cut) is somewhat smaller.

With an estimated surplus of only \$202 million, the Republican Congress is likely to find itself in an uncomfortable corner. If it jams through the promised cut in individual income taxes, it may kick the budget out of balance. If it takes time to comb the budget for possible cuts, it may be too late to make the tax reductions effective for 1947 incomes.

• **Painful to Trim**—Regardless of what tax strategy Congress adopts, it is certain to try to sweat \$2 billion to \$4 billion out of Truman's total.

Five items—national defense, tax refunds, interest on the debt, international affairs, and veterans—account for more than \$29 billion. There isn't much Congress can do about these ex-

enses. Consequently, it will have to practically all its cutting in the \$8-billion or so of remaining items. This will be a difficult and painful process.

The Threat Remains—One thing that would take the pressure off all round would be an increase in the estimated yield of the present tax system. But any changes in revenues are more likely to be downward.

Any drop in production and employment would kick back on the budget immediately. If the anticipated wage-price readjustment is anything more than just a flicker, the 1948 budget may run a deficit in spite of everything Truman and Congress can do to balance it.

BIG INCHES STILL AN ISSUE

Blasted out of a pro-oil policy for disposal of the Big Inch pipelines, War Assets Administration is wondering if it has retreated to a better 'ole. It has offered the lines to the highest bidder for transportation of either oil or natural gas.

Opposition to the disposal agency's policy switch was bound to come from coalmen, railroads, public ownership advocates, and other interests. Sure enough, the new Congress had scarcely

convened before Rep. Francis E. Walter, Pennsylvania Democrat, drew up a resolution. He asked that Congress defer action on the WAA's new policy report, submitted Jan. 3, until six months after the Federal Power Commission reports on its natural gas investigation (BW-Dec.28'46,p5). A similar move is expected in the Senate.

The Inches are temporarily carrying gas to cope with a deficit in the Midwest (BW-Dec.14'46,p21). How far opposition to their disposal for permanent gas use will get is problematical. Under the terms of the surplus property act, WAA's policy becomes binding unless Congress acts within 30 days of receipt of its report. That makes Feb. 3 the deadline. But there's nothing to prevent Congress from intervening at any time prior to actual disposition of the lines.

WAA is moving swiftly. Advertising for new bids appeared several days before its report went to Congress. Bids must be in by Feb. 8 and will be opened Feb. 10. In the report to Congress WAA Administrator Robert Littlejohn expressed confidence that the Inches will bring a figure close to the \$113,700,000 valuation that WAA put on them last Sept. 30.



HEATING WITH AN ASSIST FROM MOTHER EARTH

Whether an apparent physical paradox—heat extracted from cool water—can heat houses adequately is being tested in Tennessee. Main factors in the revolutionary system consist of a U-tube lowered into a deep well (left) and a refrigeration-heat exchanger unit (right) to which the tube is connected. Trademarked "Marvair" (BW-Jul.20'46,p67), the units are being supplied by Muncie Gear Works, Inc., Muncie, Ind., which is cooperating in the experiment with Chattanooga Electric Power Board. Heat extracted in the mechanical process of lowering the temperature of water in the U-tube is distributed from the heat exchanger by forced draft at 110 F. The water temperature is raised again by recirculation through the tube in the 200-ft. well (62 F). The cycle is reversed for summer cooling. The board reports that current to run pumps, compressors, and fans may cost \$50 a year per unit. Cost of the unit (uninstalled) is estimated at around \$1,000. The board's operating estimates, however, are based on rates in Chattanooga, which is in TVA power country.

Shoe Resistance

Retailers find customers out of step with footwear prices, but manufacturers say their costs prevent any early reductions.

Consumer resistance to recent increases in shoe prices has all levels of the industry worried. Prices have gone up sharply since OPA regulations went out the window, but total sales volume has failed to keep pace with unit price advances. Some stores report a slump in unit sales.

Retailers on the immediate firing line are already screaming that they want price reductions. So Business Week asked representative shoe manufacturers throughout the country what the prospects were. They responded: With present materials and wage costs, there is very little likelihood of immediate cuts.

• Makers' Case—Most of the manufacturers report that they have absorbed a good deal of the rise in the price of leather. They maintain that, although tanners are now quoting lower prices on leather than they were several weeks ago, final prices on shoes still do not reflect all of the recent rise in shoe costs.

Thus, almost all of the manufacturers queried indicated that they did not look for any reduction in price until late spring or early summer. But they expect that makers of women's high-fashion shoes who boosted prices out of sight will be forced to come down sooner.

For the immediate future manufacturers indicate that they intend to maintain prices while making every effort to improve quality.

For example, the proportion of shoes with all-leather uppers has been rising steadily. In June, 1945, only 52% of all shoes were so made; in October of last year the figure had risen to over 78%.

• Leather Prices—Many manufacturers declared that even with present high prices of hides they considered tanners were asking too much for leather. This factor, along with consumer resistance, has led to general hand-to-mouth buying. Nobody wants any more leather on hand than can be used in immediate production.

In reply to all this, tanners maintain that the price of hides went from 15¢ a lb. to 35¢ with the removal of the OPA and that prices of leather just had to go up. Current hide prices have dropped back to 25¢ and futures ranging from next June to December are 3¢ to 4½¢ lower.

• Basis for Prophecy—Despite the intentions of manufacturers to hold their

price lines firm throughout the first half of the year, some observers in the industry believe prices will soften earlier. They point to these facts:

- The shoe business, like all soft goods lines, will be faced with increased con-

sumer resistance as more and more durable goods gradually come back on the market.

- This will hit the shoe industry especially hard, for it is now geared to a monthly production rate of 50,000,000

pairs. This is far in excess of prewar rates.

- Study of figures on retail sales volume for shoes this year indicates that consumers have caught up with their wartime shoe shortages.

End of Hostilities Spurs Labor and Farm Legislation

With his surprise proclamation officially ending hostilities as of noon Dec. 31, President Truman took the first of four major legal steps necessary to get the nation out of a state of war (BW-Dec.28'46,p19).

Still to be terminated are the partial emergency, declared Sept. 8, 1939; the full emergency, declared May 27, 1941; and the state of war itself.

- **Wartime Laws Affected**—Fifty-one wartime statutes were either revoked outright or definitely scheduled for termination by the proclamation. Several hundred more depend on the official end of the emergencies and of the war.

Of the laws affected by the end of hostilities, many are of only insignificant importance to the over-all economy of the country. In the cases of several others, the action is virtually meaningless; the laws had already been replaced by permanent legislation, or the activities covered had already been terminated in fact.

But about a score of the affected statutes do bear with some weight on the national economy:

- **Plant Seizure**—Effective immediately, no more plants, mines, or facilities can be seized by the federal government. However, the government may continue to operate until July 1, 1947, facilities now in its hands.

Thus the Administration has voluntarily abandoned a major weapon against crippling strikes. This action puts increased pressure on the Republican-controlled Congress for speedy action on the labor question.

- **The Farm-Price Supports**—Effective Dec. 31, 1948, the principal wartime farm-price programs (BW-Dec. 7'46,p5) will come to an end.

It was this law which probably determined the timing of the presidential proclamation. CCC was authorized by Congress to support farm prices until two years after "the first day of January immediately following" the proclamation of the end of hostilities. Thus, by acting on Dec. 31 instead of a couple of days later, the President cut a full year from the time in which Congress must evolve a permanent program.

- **Preserving Record**—War contractors must preserve all records relating to any contract involving \$25,000 or more until at least Dec. 31, 1951. This ruling also applies to contract-termination inventories of \$5,000 or more.

- **Law Suits**—Government law cases involving the Pearl Harbor disaster (the "guilt" trials) must be filed by July 1, 1947. Suits to recover damages caused by naval vessels or to obtain fees for towing or salvage of such vessels may be filed any time after July 1, 1947. The government has until Dec. 31, 1949, to institute

suits involving fraud arising from war contracts.

- **Other Statutes**—These and the reduction of excise taxes (table below) are the major effects of the end of hostilities. Others include:

- Effective immediately, the relaxation of immigration laws, which permitted importation of laborers from other American nations, is rescinded. But permanent legislation enacted in December, 1945, provides for entry of agricultural laborers.

- Effective July 1, 1947, the wartime increase of approximately 50% in registered mail rates is rescinded.

How Excise Tax Rates Would Come Down

President Truman's declaration of the end of hostilities will cost the government about \$1,500,000,000 a year in excise-tax revenues unless Congress extends the levies. The President has requested this extension (page 17), but some congressmen want special legislation to end the excises immediately (page 5). Excises on a long list of items are supposed to drop automatically six months after the end of hostilities. Truman's proclamation makes July 1, 1947, the effective date of the change. These are the taxes affected:

Tax	Present rate		New rate	
	1c for each 5c or major fraction thereof	5c or major fraction thereof	1c for each 10c or fraction thereof	10c or fraction thereof
Admissions.....				
Permanent lease of boxes or seats.....	20%		11%	
Sales of tickets outside box office.....	20		11	
Cabarets, etc.....	20		5	
Dues or membership fees.....	20		11	
Initiation fees.....	20		11	
Jewelry.....	20		10	
Furs.....	20		10	
Toilet preparations.....	20		10	
Distilled spirits.....	\$9 per gal.		\$6 per gal.	
Imported perfumes containing distilled spirits.....	\$9 per gal.		\$6 per gal.	
Still wines:				
(1) Not over 14% alcohol.....	15c per gal.		10c per gal.	
(2) Over 14% and not over 21% alcohol.....	60c per gal.		40c per gal.	
(3) Over 21% and not over 24% alcohol.....	\$2 per gal.		\$1 per gal.	
Sparkling wines, liqueurs, and cordials:				
(1) Champagne or sparkling wine.....	15c per half-pint or fraction thereof		10c per half-pint or fraction thereof	
(2) Artificially carbonated wine.....	10c per half-pint or fraction thereof		5c per half-pint or fraction thereof	
(3) Liqueurs, cordials, etc.....	10c per half-pint or fraction thereof		5c per half-pint or fraction thereof	
Permented malt liquors.....	\$8 per bbl.		\$7 per bbl.	
Billiard and pool tables and bowling alleys.....	\$20 per year per table, or alley		\$10 per year per table, or alley	
Electric light bulbs and tubes.....	20%		5%	
Telephone, long-distance.....	25		20	
Domestic telegraph, cable or radio dispatches.....	25		15	
Leased wires, etc.....	25		15	
Wire and equipment service.....	8		5	
Local telephone service.....	15		10	
Transportation of persons.....	15		10	
Seats, berths, etc.....	15		10	
Luggage.....	20% of retail price		10% of manufacturing price	

All's Shipshape

Bath Iron Works emerges from postwar letdown with a stack of ship orders and a non-nautical subsidiary for ballast.

At the beginning of 1947 William Stark Newell is a man whose ships have come in.

Edging toward his 69th birthday, the president of Bath Iron Works Corp. could hardly help reflecting that business fate is sometimes a deceiver. He could remember, for instance, a day in his 47th year when, so far as any man could tell, his whole career was washed out from under him.

• **Rebirth**—It was Sept. 24, 1925. Bath Iron Works was being sold down the river. Newell, having given what he might then have presumed to be the best years of his life to the company, was engineering works manager of the shutdown plant. B.I.W.'s ships were on the seven seas, but B.I.W. was under the auctioneer's hammer at the courthouse of Sagadahoc County, Me.

Newell had a plan. He knew where he could line up some business. If the bidding didn't run too high, he might have a chance. But a New York speculator got the plant, and the man whose life was ships went to work for New York Shipbuilding Co. at Camden, N. J.

Before long, much of the Bath machinery had been sold and taken away. Real property of what had been Bath Iron Works, Ltd., passed to Central Maine Power Co. interests.

By 1928, the remnant had been trimmed to Newell's size. In that year he became president of Bath Iron Works Corp., a new company which he, L. Eugene Thebeau, and Archibald M. Main had organized late in 1927.

• **In the News**—Thebeau died in 1941. Newell and Main were very much alive when 1947 brought these developments in the life of their corporate offspring.

(1) President Newell, Executive Vice-President Main, and five other Bath Iron Works executives went on the retired list. All come under an age-65 annuity plan that was adopted in 1944. The plan was not put into effect then because everybody was busy building destroyers for the Navy. Even now, Newell's retirement is only nominal. He is to carry on until the right man is found to succeed him.

(2) Bath Iron Works Mfg. Corp., a wholly owned subsidiary of B.I.W., began business, with Newell as president. This company, which is to balance the ups and downs of shipbuilding with work in other lines, has its plant at East Brunswick, Me. Last summer B.I.W. announced that it had con-



For veteran shipbuilder William S. Newell, life began anew at 50.

tracted to develop for United States Vending Machine Corp. a "new type merchandise dispensing machine." The deal makes B.I.W. the exclusive manufacturer of the device during the life of the patents.

(3) Ships in and out of the mouth of the Kennebec River during the first week of the new year emphasized that Bath Iron Works was still very much in the ship business. The Yankee States, a former Navy cargo assault ship, sailed for South America as a seagoing academy for merchant marine trainees. B.I.W. had just given the ship a \$60,000 reconversion job. The destroyer Epperson and the cargo attack ship Caswell were towed into Bath. The Epperson, begun at Kearny, N. J., is to be finished by B.I.W., along with a sister destroyer, the Bath-built Owens. The Caswell is one of three Navy cargo attack vessels which B.I.W. will convert to peacetime design for the U. S. Maritime Commission.

• **Work on Hand**—This contract work is in addition to an unbilled balance of contracts that stood at \$10,447,700 last Sept. 30. And that figure was exclusive of an "undeterminable amount" to come by the terms of Navy contracts.

The company also has a contract to build 32 steel fishing trawlers for the French government, and an ocean-going private yacht.

• **Wood to Steel**—For Bath on the Kennebec, the revived B.I.W. has been the fulfillment of a proud destiny. Bath has been building ships since earliest colonial times. The combination of water, ship timber (with the Kennebec River to float it down), and Yankee

craftsmanship made that more or less inevitable.

Until the original Bath Iron Works was founded in 1889, Bath's ships were of wood. The man who made the transition was General Thomas Worcester Hyde, one of the Civil War's bounteous crop of brevet brigadiers. His war service included Antietam and Gettysburg.

After the war, he went into the iron foundry business at Bath and moved gradually into the ship machinery field. One of his best items was a patented steam windlass.

• **Growing With Navy**—Hyde's first shipbuilding order was for two Navy gunboats—\$700,000 worth. Other gunboats and torpedo boats followed. Surviving a \$115,000 fire in 1894, the company worked its way up to the cruiser contract stage by 1900.

Newell joined the company in 1902, the year before Thomas Hyde died. Born in Albany, N. Y., Newell did his first work for the company in the 1890's while still a student at Massachusetts Institute of Technology. He had been an instructor at M.I.T. for two years before he began his B.I.W. service.

By World War I, he had become the key man at B.I.W. As business boomed, the Hydies passed out of the picture. In 1917, control passed to Bangor and Portland banking interests, which held it until the company went on the rocks in 1925.

• **Up From Depression**—The Newell-Main-Thebeau triumvirate might have thought twice about their new corporation if they had known what was just around the corner in 1928. As it was, they had drummed up enough business to be employing 1,800 workers when the depression hit.

In 1930 they launched J. Pierpont Morgan's Corsair.

In 1932 they launched nothing.

But the destroyer Dewey, floated in 1934, kept the plant in operation. Two more ships followed, then five, and B.I.W. lived. In World War II it turned out 67 destroyers. Affiliated companies, now inactive, built 244 ships for the U. S. Maritime Commission and 30 for the British government.

• **Solid Ground**—Capital stock of Bath Iron Works Corp. consists of 418,974 shares of \$1-par common. Since 1940, these shares have been listed on the New York Stock Exchange. Earnings for the first half of 1946 were \$4.26 per share against \$4.84 for the same period of 1945. The company has no funded debt.

Newell has announced that the new manufacturing subsidiary will place orders with the parent company for tools, dies, parts, and other items. With that business added to the destroyers, trawlers, and yachts, it appears that B.I.W.'s retiring executives are not bequeathing any gray hairs to their successors.



Peace Job for Standby Plants

Army producing nitrogen fertilizer in 17 ammunition plants. Output is being shipped to ex-enemy nations. Worldwide demand for fertilizer of all types reaches record level.

It would be hard to find a prettier example of beating swords into plowshares than the Army's use of standby ammunition plants to make nitrogen fertilizer. The example is all the prettier because the output of the plants is still directed toward Germany and Japan.

• **Slow Starter**—The program was started last May to meet the military demand for fertilizers for the occupied countries. It is moving rather more slowly than originally hoped—chiefly because of shortages of coke and of tank cars—but is now beginning to perk. In November 7,200 tons of grained ammonium nitrate were produced. Output in December, only slightly affected by the coal strike, rose to about 23,000 tons. A further gain is expected this month.

Borrowing of fertilizer from the commercial market to meet occupation needs (BW—Nov.23'46,p15) ended in December. Starting this month, output of the Army plants will be used to return to the market the tonnage borrowed.

Hope is that by March the ordnance plants will be up to their planned monthly output of 88,000 tons of ammonium nitrate—about 29,000 tons on a nitrogen-content basis. If this is achieved it will represent a very substantial increase in U.S. production capacity—more than twice the total commercial production of ammonium nitrate, and more than half the commercial production of nitrogen fertilizers of all types. All of the Army output is scheduled to go abroad except the amount—approximately 110,000 tons—

needed to restore borrowed supplies to the commercial market.

• **Seventeen Plants**—The army program involves operation of four wartime ammonia plants (map, above). Output is shipped in pressure tank cars to six different powder mills; these were equipped with facilities for converting ammonia to ammonium nitrate at a time when this explosive was being used as a substitute for TNT. From the powder mills, the liquid ammonium nitrate solution is shipped in standard tank cars (plastic coated to reduce corrosion) to seven shell-loading plants; these have graining facilities where the ammonium nitrate can be crystallized into a solid form.

It's these two tank car hauls that make the operation expensive and commercially unattractive. There are three other ordnance plants—Jayhawk in Kansas, Ozark in Arkansas, and Buckeye in Ohio—where the facilities are grouped more economically, involving only one rather short haul to graining plants. But these are now under lease to commercial firms. The 17 plants in the army program are being operated by private firms, but under a cost-plus-a-fee contract that makes it a straight government operation.

• **Coke Lacking**—Shortage of coke has handicapped ammonia production at the Morgantown (W. Va.) and West Henderson (Ky.) plants. Morgantown originally had its own coking plant, but this had already been leased to the Sharon Steel Corp. when the fertilizer program was started. After somewhat involved negotiations, Sharon has agreed to supply the needed coke. But it now

faces the problem of finding alternative sources for its own mills. West Henderson never had a coking plant, and is having trouble buying coke in the open market in competition with the steel industry.

The Louisiana (Mo.) and Etter (Tex.) ammonia plants aren't bothered by coke problems, since they use natural gas instead. But the whole program is handicapped by a tank car shortage. Most of the cars used during the war in ammunition production have been leased to industry—the pressure cars to chemical firms like du Pont and Barrett, the plastic-coated cars for hauling sulphuric acid. Legally, the leases are cancellable. But the Office of Temporary Controls has been unwilling to authorize recapture of the cars until the lessees can get new ones.

• **New Cars Being Built**—Result is that the Army now has 215 of the 500 pressure cars it needs and 250 of the needed 800 standard tank cars. Steel priorities have been granted for production of about 130 new cars a month, but only optimists expect that much production.

The Army fertilizer program has been set up to run until next July, but the odds are that it'll be running for a good while after that, since there's a worldwide shortage of nitrogen fertilizer.

• **Only Nitrates Short**—Of the three fertilizer elements, phosphate has been in a comfortable position, worldwide, since resumption of North African mining. There's been no worry about potash since it became evident that the Soviets would permit export in accord with international allocation from their zone in Germany.

But nitrogen production is crippled by the world coal shortage everywhere except in Scandinavia, where it's produced by hydro power. In fact, this is the classical example of European chaos—no coal because the miners are hungry, therefore no fertilizer, therefore no food for the miners.

• **Record Demand**—Even so, the estimated world production of some 2,500,000 nitrogen tons this crop year exceeds prewar. But so does the demand, by an even larger margin. European soils were starved of nitrogen during the war. Famine in Asia has generated a brand-new demand. And in this country, farmers are using fertilizer at an unprecedented rate.

CHEMICAL CAPONIZER O.K.

The Food & Drug Administration has decided that roast capon livers are nothing to be afraid of—even when the capons are produced by administration of the synthetic female sex hormone, diethyl stilbestrol.

General Mills has worked out a caponizing technique using the hormone

Steel Shortage Emphasizes Need for —

1. Better plant maintenance
2. More care in storing steel
3. More ingenuity in adaptation

Today's shortage points up as never before the importance of using every available pound of steel to best advantage. It's the responsibility of buyer and seller alike.

Because a machinery breakdown may necessitate replacements not readily available under present conditions, extra maintenance care is essential. Regular painting of exposed surfaces and thorough lubrication of working parts will often prolong the useful life of plant property and equipment considerably.

Industry can cooperate by more careful storage and handling of its steel inventories. Many manufacturers have some steel on hand, but inadequate protection and poor handling facilities may cause deterioration and sometimes the stocks are not in satisfactory condition when needed.

Ingenuity in adapting steel on hand to needs of the moment is a third essential today. Steel buyers can help by specifying cut size on orders for stock

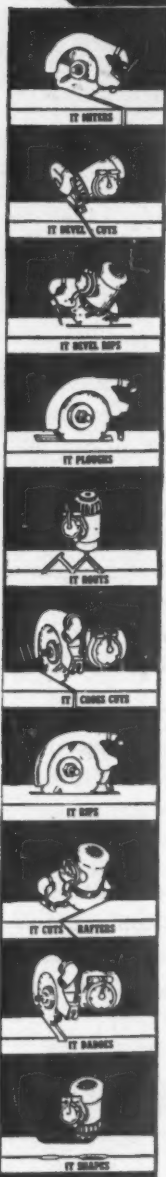
lengths, allowing steel-service plants to draw on their inventory of shorts. And the steel warehouse itself can make wide use of adaptation. For example, Ryerson plants continue to carry fair stocks but orders for popular sizes of many products are so numerous that the demand cannot always be met. When this happens, we can often suggest alternate kinds or sizes to do the job. An alloy bar replaces a carbon bar. Two angles form a square tube. In one way or another we may be able to help keep production moving despite the steel shortage.

Our organization is constantly on the watch for ways to make the available steel supply useful to more customers. We promise no miracles, but we will certainly do everything in our power to serve you when you call.



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RYERSON STEEL



Maybe you need more horse power on the job!

We're talking about more horse power for cutting lumber.

Few heavy-duty cutting machines were made available to industry during the war. Many plants now find themselves *underpowered* in their lumber-cutting departments.

By having an all-purpose Model GE 7½ Horse Power DeWalt in each of these departments—pattern work—crating and boxing—construction and repair work inside and outside the plant—you *make more horse power available*. You help workers get more, and better, work done.

DeWalt is powered for *continuous* duty... is capable of many different cutting operations. The number, in fact, is limited only by the ingenuity of the operator. The more your workers use this all-purpose power saw, the more uses they'll find for it.

For the expanding production so much desired and so greatly needed today, DeWalt is practically a "must" for many plants.

We invite you, as an executive, to secure more information for your technical men. Write for our catalog, DeWalt Products Corporation, 351 Fountain Ave., Lancaster, Pa.

DE WALT

in mixed feed (BW-Jan.4'47.p19). Other researchers have been "tenderizing" chickens by implanting pellets of the hormone in their necks, where they are gradually absorbed. It makes old hens act like spring fryers, but the most successful application, commercially, is to make cockerels effeminate—and as tender as their sisters.

Potent new veterinary drugs, like human remedies, must be submitted to FDA before they can be marketed. When applications for the synthetic caponizer arrived in Washington, FDA officials got this disquieting thought: What if the drug were to accumulate in the tissues and organs to the extent that it might affect the ultimate consumer?

This disturbing question has now been dispelled (by research).

ROLLER-BEARING FREIGHT

Never tired of introducing innovations into railroading, the Chesapeake & Ohio R.R. now is planning to purchase 1,000 freight cars equipped with roller bearings. Replacing conventional friction bearings, the roller bearings will make possible easier starting cars, heavier train loads, and higher train speeds, C. & O. asserts.

The roller bearings have been specified for 70-ton hopper cars. These are part of a request for 2,600 all-steel freight cars on which the C. & O. and its affiliate, the Nickel Plate, have asked bids.



WHO LOST?

Cast out in the last election, former Rep. Victor Wickersham (right) is still a power in Washington. The Democrat from Oklahoma has shifted from politics to real estate; he expects plenty of business from men with brand-new congressional credentials but no place to hang them.



"... shall witness live in BRASS of this day's work"

(KING HENRY THE FIFTH, ACT IV, SCENE III)

KING HENRY V, meeting the French at Agincourt, thus foretold the immortality of the English yeoman, his long bow, and his "cloth-yard shaft"

And when he spoke of immortality, he naturally spoke of Brass. For so many monuments, tablets, and memorials of medieval times were made of the golden-yellow alloy because it was known to be almost ageless in its defiance of wear and the elements. Many of these memorials, even when excavated, have been found well *self-preserved* since early in the fourteenth century.

For the selfsame reason, nowadays, Brass comes naturally to mind when product-designers want to foretell the future with utmost certainty as to their product's performance and their customers' loyalty. Then they can know that, far into the future, Brass will bear *working witness* to their sound business judgment.

Many of these designers, furthermore, specify *Bristol Brass* as a matter of course, for they have learned that Bristol Brass sheet, rod, and wire always meet specifications physically,

dimensionally, and delivery-wise. If you have design work now in process, have Bristol's Sales Engineering Laboratory point out to you the special benefits... both in manufacturing and selling... which will follow on your own specification of Bristol Brass.

THE BRISTOL BRASS CORPORATION

Makers of Brass since 1850, Bristol, Conn.

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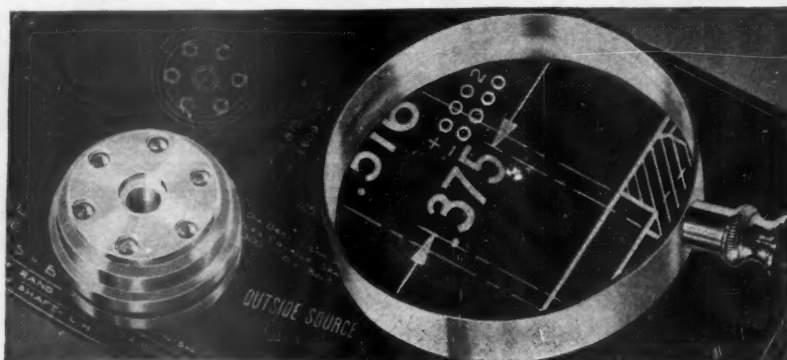


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READERS REPORT

Challenge From the Farm

Business Week is right when it says "Operating at full employment [in 1950], our economy could just about consume that [peak] output [of farm products] at parity prices for farm products" (BW—Nov. 2 '46, p65; Report to Executives—"Better Farming, Better Markets").

And when it adds: "Anything substantially less than full employment would knock the props out from under the farm economy, barring government aids."

Everybody should see that the improvements in farm income that we all hope for and that Business Week forecasts depend, in great part, on how the rest of the economy acts.

Farmers are going to produce abundantly. But will industry and labor produce at the same high rate?

That is what worries farmers. Will industry go on strike as it did in 1932 when industrial production dropped 39% from 1929 and farm production dropped only 2%?

Will the productivity of labor increase or decrease?

Farmers are probably going to turn out 20% more products per consumer in 1950 than in prewar days. But, unless industry and labor match that record, farm income may slump.

Business Week looks for relatively high farm income (on a per capita basis) through 1950. We all hope for it. Whether we get it or not depends partly on farm skill and energy but largely on whether industry and labor operate an economy of abundance or an economy of scarcity.

Donald R. Murphy

Editor, Wallace's Farmer
Des Moines, Iowa

Canada and U. S.

During the fall, Business Week published a table comparing Toronto and Buffalo food prices and showing that Canadians paid lower prices, "attributed by Ottawa to strict inflation controls imposed early in the war and still enforced" (BW—Oct. 19 '46, p16).

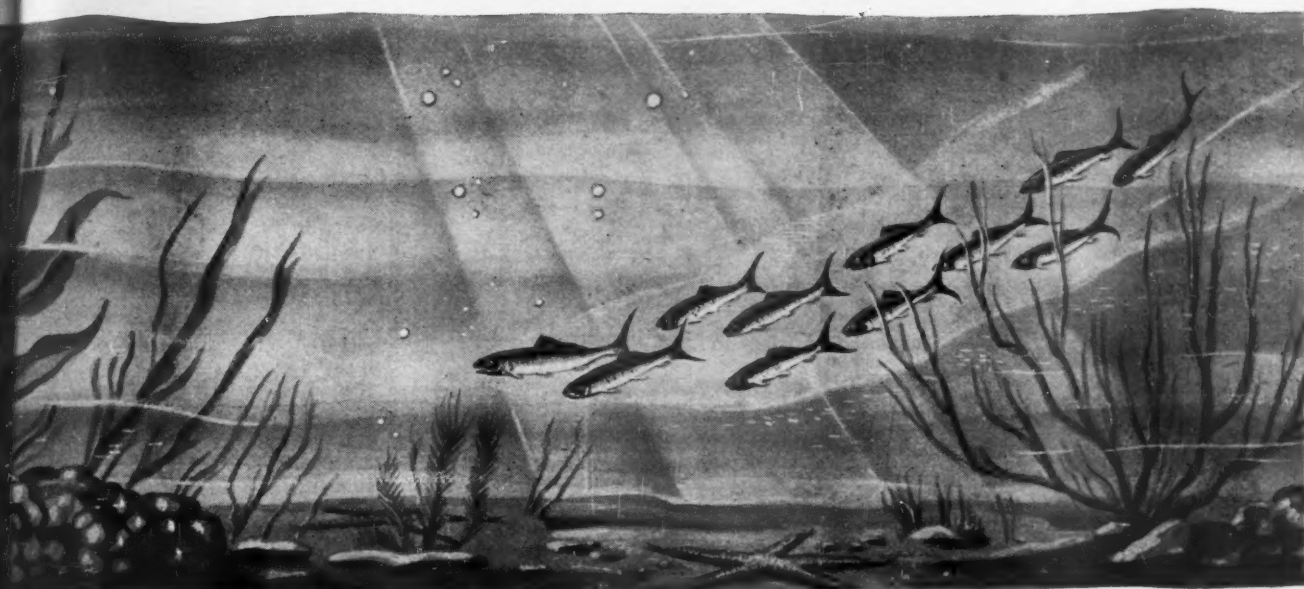
Even at the higher prices this side of the line does not the average purchaser have more in his pocket after the purchase than does his Canadian cousin? Is his wage not considerably higher than that across the line? Is the customer on this side not actually better off financially?

J. T. Robertson

Sunnyside, Wash.

• Estimating comparative welfare be

sea of plenty—MORE!



SOLEXOL

IMAGINE *Clupea pilchardus*—the humble sardine—vitalizing the health of the nation's livestock and poultry! And indeed of man!

Yet that's exactly what is happening. For sardine body oil now gives up highly concentrated vitamins A and D for livestock feeds...releasing vitamins of the richer but scarcer shark and cod liver oils for direct human needs.

A brilliant new process called Solexol does it. Solexol skims vitamins right out of the low potency oils of sardines, herring, codfish, menhaden...

But this is just one of its great capabilities!

Solexol, a continuous process, separates the fractions of vegetable and animal oils, too...each fraction according to its molec-

ular weight and structure. It neither destroys nor degrades any portion of the feed stock through chemical change or decomposition. It delivers utmost yields of premium products.

These products can favorably affect the flavor and appearance of foods...the utility, appearance and odor of soaps...the value and taste of certain drugs...the drying and lasting qualities of paints.

Economical to a degree never before obtained, with basic operating costs often as low as a fraction to three cents a gallon, Solexol has already been adopted by leading companies. Executives are invited to send for detailed information. *Glyceride Processes Division*, The M. W. Kellogg Company, 225 Broadway, New York 7, N. Y.

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Subcontracting as a SURGE EQUALIZER in your production

It's a seller's market . . . But who knows for how long?

America's savings are not sufficiently spread among the mass of our population to finance much more than the purchase of goods withheld because of the war. Then what? The buyer's market that will follow must rely on wage earnings.

Should Industry Over-Expand Now?

Many an industrialist may be tempted to gauge equipment needs on present conditions. If recession follows, idle facilities are a drain upon resources . . . in fact, an all-around headache.

Hedging through sub-contracting may be your answer. Sure, tool up and equip your assembly lines for your major and basic requirements . . . then hedge on the surge demands by calling in competent contract manufacturers.

Maybe you can kill that impending headache before it starts.

Why not "Let Lewyt Do It?"

When it comes to splicing our delivery schedules onto the other fellow's assembly lines, we're past masters. We've been at it since 1888—and that covers a lot of contract manufacturing know-how.

So when you think of going outside for part of your production...think of Lewyt. Then "Let Lewyt Do It."

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Write on your business stationery for our illustrated brochure describing the Lewyt organization. Lewyt Corporation, Contract Manufacturing Division, 66 Broadway, Brooklyn 11, N. Y.

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MECHANICAL ASSEMBLIES, COMPONENT PARTS, SUB-ASSEMBLIES
AND METAL PRODUCTS, TO THE MOST EXACTING REQUIREMENTS

tween countries poses tough statistical problems, often leads to oversimplified conclusions. Canada is traditionally lower-waged and lower-priced than the U. S. In his learned "Conditions of Economic Progress" Colin Clark estimated average worker income in Canada 3% lower than in the U. S. over the boom-bust decade 1925-34.

During the war Canada's relative position changed. Between mid-1941 and October, 1946, average weekly earnings in manufacturing rose 24.3% in Canada, 49.1% in the U. S. But Canada's cost-of-living index rose 14% (not points) that of the U. S. 41.8%. Deflating the income rise by cost rises, the "real" income gain in Canada was 12.3%; that in the U. S., 5.2%. Taking food alone—the subject of the Business Week article—the proportion of the consumer's dollar spent on this cost-of-living factor increased 13.7% in Canada, 18.3% in the U. S.

This is obviously not definitive. Living standards, as well as costs, differ; further, a greater share of the average income of Canadians was taken in taxes, lessening the amount available to bid up prices.

How Much Aluminum?

Your unusually informative magazine slipped when it quoted aluminum consumption figures in the Nov. 26, 1946, issue (page 28).

We assume that the monthly figure of 115 million lb. was taken from the Dept. of Commerce report. Actually, this does not take into consideration the hundreds of firms that are buying surplus aluminum from dealers—around 30 million lb. a month. It also omits ingot used in 2,250 foundries, which amounts to over 40 million lb. Finally, aluminum used for deoxidizing purposes in steel mills is left out.

Present monthly consumption of aluminum—far above production of new metal—is, according to our figures, around 200 million lb. a month.

W. B. Griffin

Editor, Modern Metals,
Chicago, Ill.

• The Dept. of Commerce figure of 115 million lb. of aluminum consumed in September probably does not cover all primary and secondary aluminum consumed, but it is the opinion of McGraw-Hill's metals magazine editors that this is the best figure available.

A consumption figure of 115 million lb. includes about 25 million lb. of ingot derived from scrap. If, as you indicate, total consumption is around 200 million lb. monthly, then we must be getting 110 million lb. from scrap—an assumption we have difficulty in accepting.

Your approach in breaking down the amounts for dealers, foundries, etc., is susceptible to a considerable degree of

...plication. And the duplication can be
...ated several times for certain quan-
...ies. The actual figures on aluminum
...are probably somewhere between the
...pt. of Commerce estimate and your
...; the statistics being what they are,
...would be impossible to say just where.

Texas Claims Priority

In reporting on the efforts of the
... Kentucky Bankers Assn. to promote
...il conservation and farm improvement
... (W-Dec. 7'46, p28), Business Week
...otes that "this is said to be the first
... program utilizing a staff specialist."

About a year and a half ago, after a
...onsiderable amount of thought and
...udy by the bank—and particularly by
... M. Malone, vice-chairman of our
...ard, who was at that time president
... of the Guardian Trust Co. of Houston,
...ter merged with this bank—we estab-
...shed an Agricultural Dept. and placed
... its head O. "Dooley" Dawson, gradu-
...e of Texas Agricultural and Mechan-
...al College and for many years associ-
...ted with the U. S. Soil Conservation
...ervice.

A year ago last June we held our first
...meeting and at a barbecue explained the
...program to country bankers, soil special-
...ists, and businessmen. We then had
...resent something less than 200 persons
...with a very small representation of
...farmers and country bankers. We have
...continued to hold these meetings fre-
...quently. At the last one, in October,
...1946, at the town of Schulenburg, about
...half way between Houston and San An-
...tonio, we had about 2,500 on hand.
...From the growing attendance record
...and reports of increased participation in
...soil conservation movements, we can
...see that real good is being accomplished.

Business in this area is showing tre-
...mendous interest in the program. Rail-
...roads, steel companies, manufacturers
...of farm equipment, chemical companies,
...and many others are cooperating with us.
...Our management is thoroughly sold on
...this activity. Mr. Dawson was elected a
...vice-president of the bank at the Dec.
...10 meeting of our board of directors.

Houston is becoming a highly indus-
...trialized center, and I am convinced
...that we can easily let this blind us to
...the fact that agriculture is fundamental
...in our country.

I know your publication well and
...value it highly. I also know that you
...would not intentionally give undue
...credit or avoid credit where it is due.

Hugh J. Bernard

Vice-President, The Second
... National Bank, Houston, Tex.

• Business Week's "first" applied to
...farm improvement programs con-
...ducted by state banking groups, not by
...individual banks. Authority: American
... Bankers Assn.



This might be one secretary's not-so-
...subtle way of saying that person-to-person
...dictation is dated. Or even out-dated.

For the modern, up-to-the-minute ex-
...ecutive uses the Dictaphone method!

Of course, it's more than a question of
...being "old hat." Much more.

Slow, tiring, "read-that-back-to-me"
...dictation can retard the progress of the
...entire office. It keeps other important
...work waiting while two people perform
...what should be a one-man operation.

See how quickly the picture changes—
...with Dictaphone Electronic Dictation!

There's no speed limit—with Dictaphone*!

Things really move. Memos* get out.
...Correspondence flies. Overtime? Gone!

Alone . . . relaxed . . . a busy executive
...can talk all of his business away—right
...into the handy microphone. Stationed
...outside his door, his secretary can ward
...off interruptions—can go about her other
...duties while he dictates to her.

If your office routine needs a shot in
...the arm, if you're looking for new ways to
...decrease bottlenecks and increase busi-
...ness, it will pay you to have a talk with
...your local Dictaphone representative.

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...things done!

DICTAPHONE *Electronic Dictation*

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...Electronic and Acoustic dictating machines and other sound-recording and reproducing equipment
...bearing said trade-mark.

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Biggest of All in Range of Industrial Products**



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You want faultless radios, toasters and razor blades—streamlined cars and planes easier on fuel, safer to run, cheaper to buy! . . .

You want the output of science and industry developing great advancements like nylon, synthetic rubber, television, jet propulsion!

You want and get all of these things—with the help of ingenious new machines and equipment for every industry—made by Allis-Chalmers.

. . .

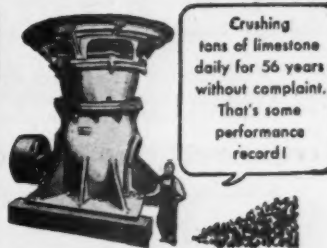
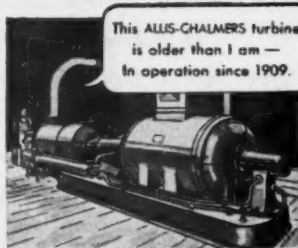
For 100 years Allis-Chalmers has been supplying industry with machinery that is famous for efficient, low-cost, long-life operation.

This record of performance has established Allis-Chalmers firmly in the confidence and respect of the top engineers and executives throughout industry. As proof of this leadership, Allis-Chalmers stands today as one of the "Big 3" in electric power equipment—biggest of all in range of industrial products!

With hundreds of different industrial products to its credit, Allis-Chalmers is unrivaled in ability to meet the most exacting equipment needs of every basic industry.

Allis-Chalmers Manufacturing Co., Milwaukee 1, Wisc.

Enduring Service is the Test of Fine Craftsmanship and Engineering!





Jane Russell,
star of Howard Hughes'
daring production "The
Outlaw" wearing the Holly-
wood Spray Pin

Bauble Blows Bubble Sales To New Heights

In all the United States there is just one area in which a regional shampoo has captured first place. That area is the Pacific Coast; and the product is "42" Shampoo.

To help the makers of "42" Shampoo win sales-leadership, Engineered Advertising has devised many successful plans for attracting customers and extending distribution. Most recent and perhaps most spectacular, is the "Hollywood Spray Pin" premium offer which has secured extraordinary display and selling co-operation from thousands of drug outlets, and which has lifted sales of "42" Shampoo to new heights.

The choice of a productive premium is a semi-scientific procedure. Engineered Advertising has amassed a wealth of fundamentals through

many years of intensive experience in conducting premium campaigns for many varied kinds of products.

If you feel that your product, like "42" Shampoo, needs special promotion to stimulate sales and distribution, you may find it profitable to talk with us about the values of premium advertising. Without upsetting your present advertising arrangements, you can call upon us to help you gauge the power of premium advertising in one test market.

Brisacher, Van Norden & Staff, Advertising Engineers, have been serving many leaders of industry and commerce since 1919. Main offices: New York, San Francisco, Los Angeles; Radio Headquarters, Hollywood; Service offices: Chicago, Portland, Seattle, London, England.

CONTAINERS

Disposable Icebox

Shipping container using dry ice refrigerant maintains perishable commodities during rail, air, and truck transit.

Shippers of perishable merchandise are watching results obtained with a new throw-away container. It has a refrigeration unit allowing temperature control over a wide range.

Developed by George B. Wagner, the container is being turned out at the rate of about 1,000 a day by Atlantic Shippers, Inc., 42 Warren Avenue, Charlestown, Mass. Some 150 are being used daily by Atlantic Lobster Co., Charlestown, for shipping live lobsters by air, rail, and truck to all parts of the country. Others are being used for shipping various sea foods, flowers, and produce.

• **The Size and the Cost**—The standardized "Chill-Rite" paperboard container measures 14x14x26 in. It has a capacity of 40 lb. to 50 lb. of live lobsters, or 80 lb. of lobster meat. Usable shipping space approximates 2 cu. ft.

Part of the space inside the container is occupied by a metal-and-cardboard refrigeration unit, measuring 12x6x6 in. Wagner says it can be set to maintain temperatures from 50 F to -20 F. Dry ice is the refrigerant.

The container, complete with refrigeration unit, now costs \$2.30, but lower prices are anticipated as output expands. The weight of the container, less dry ice, is 8 lb.

• **The Equipment**—The container is lined with blanket insulation, held in place by corrugated paperboard. A wa-



George B. Wagner, inventor, with his refrigerated throw-away container.

terproof bag is placed inside the box to hold material being shipped.

The refrigeration unit consists of a honeycomb paperboard container, inside which is a metal can having a copper spout welded to one side. The can in turn is lined with another honeycomb container. Dry ice is placed inside the assembled unit. A metal cover is placed on the can and sealed with tape.

A rubber tube is connected to the can spout and run through the container wall. This exhausts carbon dioxide gas from the evaporating dry ice to the atmosphere. The purpose is to prevent damage by the gas to the contents.

• **How It Works**—Temperature control is maintained by regulating the carbon dioxide gas pressure within the metal can. Dry ice, in changing from solid to gaseous state, absorbs heat from surrounding objects. If the pressure created by the evaporation is not relieved, the rate of evaporation is slowed and rate of cooling decreased.

A simple, inexpensive control valve on the exhaust line is the regulator. If the temperature inside the container rises above the desired level, the control valve opens. This increases the evaporation rate of dry ice, and the temperature drops. The reverse process prevents temperature in the container from dropping too low.

Insulation around the refrigeration unit is heavy enough to protect objects under refrigeration from possible dry ice "burn." But it is light enough to permit flow of heat from the container to the evaporating dry ice.

By attaching an atomizer to the exhaust line, it is possible to maintain humidity inside the carton.

• **Development**—Inventor Wagner originally developed the "portable icebox" in metal, and it was used successfully to transport whole blood into the South Pacific battle areas. Hostilities ended, however, before it was used widely.

Wagner then developed the throw-away container, which eliminates the problem of returning empties to the shipper. Railroads and trucking companies reportedly are interested in possible new applications for the container. And the refrigeration unit can be substituted for ice in the domestic icebox.

AMERICAN RATIONS CANS

Despite easing of government restrictions on use of tinplate and prospects of a record tin-can manufacturing year (BW—Jan. 4 '47, p16), can suppliers aren't expected to meet demand.

For this reason, American Can Co. this week announced it will allocate shipments of metal containers to all customers and will take on no new customers. Data for the allocation program are now being assembled from present customers.



Cotton is King

IF paper is to be as useful and valuable as it can be in modern business, it should be made of cotton fibers. These long, tough fibers lend strength to paper and give it wearing qualities obtainable in no other practical way. That's why all *Parsons* papers are cotton fiber papers.

Cotton fiber stationery, with its brisk, clean, hard, smooth finish commands attention for letters. Its superior writing and erasing qualities, its additional strength, durability and permanence more than make up for the additional cost of a tiny fraction of a cent a letter.

Wherever records on cards or sheets take a beating from use by hand or machine, you'll find cotton fiber paper. Even for records that are consulted or posted infrequently, it pays to use firm, strong, permanent cotton fiber paper.

So for your stationery or records, get the paper designed for modern business, *Parsons* cotton fiber paper.



PARSONS PAPER COMPANY, HOLYOKE, MASSACHUSETTS

© PPC, 1947



PHOTO COURTESY OF AMERICAN AIRLINES, INC.

Signal Caller of the Skyways

A lowering sky, alive with passenger-filled planes waiting to land... the concrete apron of the busy airport jammed with other flights ready to take off... impatient travelers... eager relatives and friends.

Aloft, each circling pilot eyes his fuel gauges... contacts the control tower for landing instructions by radio. It's the job of the tower operator to direct the planes to the safety of the runway... to keep traffic moving even when skies are heavy and the ceiling is low. But this task is nothing new to the tower operator, for his tediously-gained experience enables him to call, quickly and accurately, the signals in the whole

complicated procedure of directing the traffic of the skies.

It is experience, too, that enables Twin Disc engineers to meet the unusual demands in designing and building power transmission units of all kinds. The Twin Disc Clutch Company has been designing, building, selecting, and applying the right clutch or hydraulic drive for specific jobs for 28 years.

If you have an unusual power transmission problem, take it to Twin Disc's experienced engineers. They will give you unbiased and reliable recommendations.

TWIN DISC CLUTCH CO., Racine, Wisconsin
Hydraulic Division, Rockford, Illinois

SPECIALISTS IN INDUSTRIAL CLUTCHES SINCE 1918

Shipping Box Fight

Eastern railroads try to cut damage claim by returning to prewar standards for fiberboard containers; opposition is strong.

Efforts of the eastern railroads to restore prewar specifications on fiberboard shipping containers have stirred up a hornets' nest. Reason for the carriers' action is the terrific rise in damage claims paid on freight shipments—from \$23,438,536 in 1941 to \$78,791,370 in 1945.

• **Supplies Still Short**—But board and box manufacturers, as well as shippers, contend the proposed action will reduce the already critical supply of such boxes by 600,000,000 annually. For, they say, it will necessitate use of more material in each box at a time when pulp and fiberboard supplies are still below demand. Objectors also challenge the rails' position that the old specifications will assure higher quality containers. Finally, they maintain that the change will cost shippers \$35,000,000 annually.

Unable to convince the eastern carriers of the validity of their contentions, protestants appealed to the Interstate Commerce Commission. They obtained a seven-month postponement from Dec. 31, 1946. Hearings before an ICC examiner are scheduled to start Jan. 29.

• **Modified During War**—Specifications which the eastern roads seek to restore are those in effect prior to Nov. 15, 1941. At that time all roads, prompted by the War Production Board, modified their Rule 41, covering fiber boxes, to conserve pulp and fiberboard.

Principal change made then was a reduction in the required thickness for liner board. (This is the board used on interior and exterior faces of containers.) On Mar. 20, 1944, thickness specifications were eliminated entirely; specifications based on weight per 1,000 sq. ft. of board were substituted. Manufacturers hailed this as providing them with an incentive to make the toughest, stiffest board possible.

• **Railroads Asked New Rules**—Early in 1946 the railroads, through their classification committees, set out to improve container requirements to cut claim losses. They proposed entirely new standards, not simply a reversion to the old 1941 rules. The committees, which act as technical advisers in such matters, conducted extensive hearings. They were told by shippers and by trade associations that any revision of the rules at this time would be disastrous.

The committees were asked to with-

hold changes in Rule 41 "until new and scientifically determined specifications" could be laid before them. They were informed that the Institute of Paper Chemistry, Appleton, Wis., was conducting research to this end.

The classification committees recommended a six-month postponement in Rule 41 changes. Western and southern railroads acceded, but the Eastern (or Official) Territory lines ordered the old specifications restored. The ICC action followed.

• **Skeptical of Research**—The carriers' position is that 1941 and 1944 changes in Rule 41 were relaxations to meet war conditions and were for the period of the emergency only. They point to the fact that claims have risen out of all proportion to any rise in freight volume or in the price level of articles shipped. And they maintain that claims attributable to container weakness are inordinately high.

Possible new specifications coming out of the research at the Institute of Paper Chemistry are dismissed by the eastern carriers as "speculation rather than fact." If new test methods are devised, the railroads say, they "would be glad at any time to consider their incorporation in Rule 41."

Packaging at Peak

Manufacturers may expect their worries over shortages of packaging materials and equipment to end during 1947. This prediction is made by Modern Packaging, trade journal of the packaging industry.

• Any easing of the current excessive demand will quickly bring supply into balance, the magazine warns. Almost overnight, it says, the sellers' market may turn into a buyers' market.

A survey by the magazine shows that some leveling off of demand may be expected. And there are prospects for further expansion of container production—already at the highest point in history. Many industries, such as produce, meat packing, and textiles, are using more packaging than ever. • Here are some of the larger production gains, with even greater increases in sight: paper and paperboard, 60% more than prewar; metal cans, 40%; metal closures, 280%; plastic closures, 300%; crown caps, 210%; collapsible tubes, 48%; adhesives, 100%; plastic moulding powder, 300%.

An increase of 115% was reported for glass containers, but further expansion is limited by the current shortage of soda ash.

Another new product
from a Du Pont Plastic



NEEDLE WITH A NYLON KNEE

Better tone . . . new profits . . . based on Du Pont NYLON

"A real achievement," said a leading manufacturer of fine phonographs about the tone pickup of this sales-stirring new nylon needle.

Because of its flexible knee-like bend, this needle minimizes record wear and needle scratch too. It shock-absorbs unwanted record vibrations, and it's so tough it's almost break-proof in ordinary use. It grasps the jewel tip in a vise-like grip . . . obviates the need for rigid mountings. Production-wise, nylon molds uniformly . . . keeps output up and costs down. All told, it provides a new slant on an old product to help keep sales on the up-curve.

Look to nylon . . . and other Du Pont plastics . . . for new-product possibilities and for adding sales appeal to the old. Write now for literature. It

will pay you to have it in your files. E. I. du Pont de Nemours & Co. (Inc.), Plastics Department, Room 601, Arlington, New Jersey.

Nylon needle designed and manufactured by Hutter Development Co. Distributed by Decca Records, Inc., and Chicago Webster Corp.



WOULD LOW-COST MONEY

help your business
make more profit?

This book tells how
your business can
obtain \$10,000—
\$100,000—\$1,000,000
or more... quickly...

without worries about renewals
... and at much lower cost
than you think.

SEND TODAY for our new book,
"A Better Way to Finance Your
Business." Learn how little money
costs, how much more you can get
and how long you can use it, under
our Commercial Financing Plan. You
may find the cost so low that you
would have to secure a rate of 4% per
annum, or less, on a commercial time
loan to keep the cost comparable.

Our book gives you dollars and
cents comparisons of the low cost of
money under our Commercial Financing
Plan vs. Time Loans... with case
histories of growth and profits cus-
tomers have realized through our plan.
It tells how the plan operates without
restricting your management or inter-
fering with operations; how it frees
you from worries about renewals, calls
and periodic clean-ups of your loans.

Manufacturers and wholesalers
have used our plan to a total of more
than *One Billion Dollars* in the past
five years... because they have found
it more liberal, more flexible, more
conducive to progress and profit.
Whether you need thousands or
millions... it will pay you to read
"A Better Way to Finance Your
Business." Write for Booklet C.

COMMERCIAL FINANCING DIVISIONS:
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**COMMERCIAL CREDIT
COMPANY**

Capital and Surplus \$80,000,000
BALTIMORE 2, MD.

Financing Offices in Principal Cities of United States and Canada

PRODUCTION

Industrial Design in New Role

Profession now combines engineering with functional styling.
Consultants agree their expanded talents will find best outlet
among small manufacturers, firms with "sidelines."

For years the principal function of
the industrial designer has been to sat-
isfy the public taste for streamlined
products. He might have been the
stylist for anything from a rail passen-
ger car to an electric mixer.

Now he is emerging as an individual
who combines engineering with func-
tional styling. This entails more than
merely covering up machines and con-
sumer products with attractive hous-
ings; it involves redesigning from the
ground up to assure both beauty and
efficiency.

• **Traveling Exhibit**—This new role
which the professional industrial de-
signer is playing in American industry
was brought into sharp focus this week
in Philadelphia at the exhibit of the
Society of Industrial Designers. Planned
as part of a campaign to provide in-
dustry with a better understanding of
product design, the exhibit will have
road shows in Detroit, Toledo, Buffalo,
Kansas City, Milwaukee, Los Angeles,
and other key centers.

Display panels did not show futuris-
tic drawings of idealized products.
Rather, they represented for the most
part products which recognized manu-
facturers now have on the market or
expect to offer soon.

• **Courting Small Firms**—Consulting
designers agree that they probably will
find the best outlet for their expanded
talents among small manufacturers.
Such firms normally cannot afford elab-
orate engineering departments, yet must
put attractive, efficient products on the
market to meet competition. They can
buy the designer's services as a "pack-

age"—and thus obtain both styling and
engineering.

One example of this was the display
of Egmont Arens, New York City. His
problem was to redesign a meat slicer
(pictures, below) for the Hobart Mfg.
Co., Troy, Ohio. Five objectives, met
in the finished design, were to:

(1) Eliminate the separate casting
for the motor housing and make it
part of the base casting;

(2) Remove the sharpening mech-
anism from its former location above
the cutting knife and install it as a
retractable gear inside the motor hous-
ing;

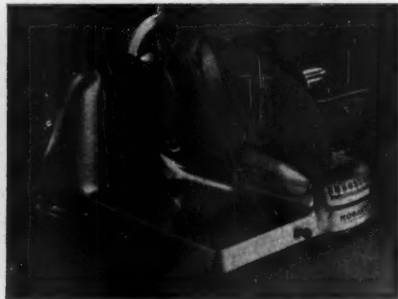
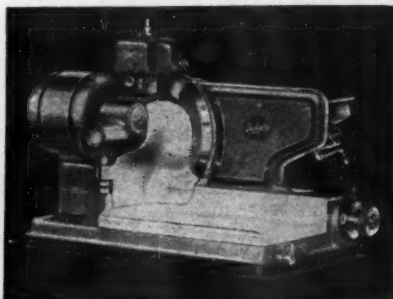
(3) Open up the space under the
knife to facilitate cleaning and elim-
inate a dirt trap;

(4) Substitute Alumilite finish for
old enamel and striping; and

(5) Design a slicer adjustment that
is easy to read and easy to clean.

• **An Eye on Costs**—In another instance
Benjamin L. Webster, New York City,
was called upon to design a two-burner
electric hot plate for Aviation Equip-
ment Co., Wilkes Barre, Pa. Require-
ments met by the design included use
of the company's existing production
equipment and of standard electrical
components, at the same time holding
costs to a competitive level.

• **Help on "Sidelines"**—The small com-
pany is not the only type making use
of the professional designer. New
manufacturing divisions of large con-
cerns are turning to him for assistance.
Thus, designer Francesco Collura ex-
hibited the new "Tru-Heat" side rest
iron and a pressure cooker, part of the



Evolution of a meat slicer from an awkward, unattractive machine (left) to a
"streamlined" instrument of improved functional design (right) was accom-
plished by Egmont Arens, New York City, for Hobart Mfg. Co., Troy, Ohio.

**Moving forward with America's leaders
in a mighty era of construction
to build a greater America ...**

#2
IN A SERIES



BAKELITE PLANT CONTRACT TO F. H. MCGRAW & COMPANY

F. H. McGraw & Company, constructors of Hartford, Conn., with offices in Gary, has been awarded a contract totaling several million dollars by the Bakelite Corp., a unit of the Union Carbide & Carbon Corp., for the construction of a manufacturing plant at Ottawa, Ill., the company announced yesterday. The contract calls for the construction of a manufacturing building covering 135,000 square feet, with six bays, for the production of Vynlite plastic film and sheeting.

★ Reprinted with permission from "Chicago Journal of Commerce," October 21, 1946



F. H. MCGRAW & COMPANY
ENGINEERS AND CONSTRUCTORS
780 WINDSOR STREET • HARTFORD 1, CONN.

NEW YORK, N. Y. • CHICAGO, ILL. • GARY, IND. • MIDDLETOWN, O. • PITTSBURGH, PA.

"Leadership"



EAGLE-A



THE FINEST

When Eagle-A Coupon Bond is specified, the very best quality is assured, because it is the finest business stationery paper.

From the slow-paced, wood-burning "Lightning Express" of years ago, to the 100 mile an hour diesel-electric "streamliners" of today, the development in locomotives and railroading has been one of steady progress and leadership.

EAGLE-A COUPON BOND

a truly fine 100% Rag Extra No. 1 Grade has also maintained its leadership through consistent quality and progress in production methods.

Lending prestige to important business letters and permanently protecting vital documents, Eagle-A Coupon Bond's rich appearance and bank note crispness is the result of four generations of papermaking skill combined with modern equipment and close laboratory control.

For the finest business and executive stationery, with envelopes-to-match, specify Eagle-A Coupon Bond to your Printer, Lithographer or Engraver.

Ask your Stationer for

EAGLE-A TYPEWRITER AND BOXED PAPERS

EAGLE-A PAPERS

AMERICAN WRITING PAPER CORPORATION • HOLYOKE MASSACHUSETTS

line of household appliances being developed by General Mills, Inc.

With milling companies making electric irons, and aircraft companies turning out electric hot plates, designers say they might well advertise, "Side-lines are our mainlines."

• **Plenty of Modern**—The collaboration of designer and engineer was evident throughout the Philadelphia exhibit. Of course, there were plenty of modern dishes and lamps; office, store, boat, train, and plane interiors; home exteriors; furniture.

But these comprised only about half the displays. The other half featured production machines, tools, hydraulic hoists, production plant design (a steel rolling mill), plumbing fittings, and all sorts of consumer products—sewing machines, hearing aids, cameras, even a mousetrap.

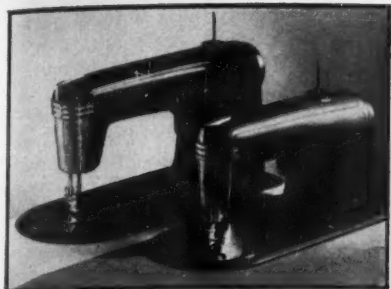
Resistance of large manufacturers to this new philosophy of the industrial designer-engineer is being overcome, society members claim. Even though General Motors still segregates its styling department from engineering, General Electric Co., is employing two society members, they point out.

• **Integrated Offices**—This trend away from pure "styling" and toward an integrated operation embracing production and product engineering has affected the organizational setup of the industrial designer. If he is not an engineer himself, he has been forced to employ engineers.

Big name men in the field—Walter



New president of the Society of Industrial Designers, Raymond Loewy (above) is a leading exponent of the dual stylist-engineer role which those in his profession are now essaying.



Problem in designing sewing machines is to eliminate the "gadgets" appearance. Dave Chapman, Chicago industrial designer, and engineers of National Sewing Machine Co. worked long hours to develop these designs (above) for Montgomery Ward & Co.

Dorwin Teague, Harold Van Doren, Henry Dreyfuss, and Raymond Loewy, to name only a few—now have elaborate organizations. They offer clients the varied talents of market analysts, architects, engineers of all types, draftsmen, modelmakers, skilled machinists.

ELECTRODES RENEWED

A new process for renewing salt bath electrodes operates somewhat like a man lifting himself by his own bootstraps. Electrodes are sealed in the refractory matter at the bottom of an electric salt bath furnace. These utilize the natural chemistry of the solution to regenerate themselves, according to Upton Electric Furnace Division of Detroit, developers of the process.

Omnipresent metallic oxides are withdrawn from the high temperature bath by means of graphite rods. The rods are held submerged by ledges overhanging the electrodes. Contact with the graphite reduces the oxides to a metallic state with a melting point higher than the temperature of the bath. This results in the formation of a metallic scale on the rods.

The carbon content of the scale increases through contact with the rod, thereby reducing its melting point until the heat of the bath melts it. The metal then drops from the rod to the electrode directly beneath it. Here, oxides in the salt solution reduce the carbon content, and the metal becomes a solid, integral part of the electrode. The process continues automatically until the carbon rod is consumed; a new rod then is inserted under the ledge.

In cases requiring a renewal rate faster than the graphite rod method, cast iron is dropped into the bath. The iron melts and flows into the electrode slots in the furnace bottom, where it becomes part of the electrode after reduction of its carbon content by the solution oxides.

The Chemical Industry, Too Uses ALUNDUM*

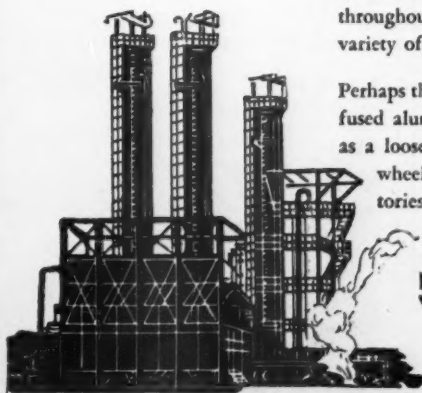


For CATALYST SUPPORTS in Vital Processes

IN the complicated chemical processes used on such a gigantic scale to produce industrial alcohol, synthetic rubber, petroleum by-products and the like, various catalysts play a prominent part. Chemical engineers needed a product that would hold these catalysts while they did their job—a porous material that would absorb them and also withstand the high temperatures encountered in the processes.

Norton research supplied the answer with ALUNDUM Catalyst Supports—granules, pellets, rings and aggregates of ceramically-bonded fused alumina. Today they are in use throughout the chemical industry in the wide variety of sizes and types required.

Perhaps there are many ways that ALUNDUM fused alumina can serve you—in grain form as a loose abrasive, or bonded into grinding wheels and sharpening stones, into refractories, porous mediums, and non-slip tiles and treads for floors and stairs.



NORTON COMPANY
WORCESTER 6, MASS.

U. S. Pat. Reg. M. O. F.

ABRASIVES — GRINDING WHEELS — GRINDING AND LAPPING MACHINES

NORTON

REFRACTORIES — POROUS MEDIUMS — NON-SLIP FLOORS — NOBIDE PRODUCTS
BEHRMANNING DIVISION PRODUCTS — COATED ABRASIVES AND SHARPENING STONES

Coating Problem?

Try ARCHER

PLASTIC

FILMS



Consider what Archer Plastic Films offer you. They are tough and waterproof, resistant to creasing and mildew, and to acids, oils, heat, cold, many other potentially destructive agents. Yet they are light in weight and easy to utilize.

Archer Plastic Films are already widely accepted in such manufacturing fields as textiles, shoes and paper.

If you have a particular coating problem, call on Archer. Write direct to Archer Rubber Company, Milford, Mass., and our experts will be glad to go to work for you.



A PRODUCT OF
ARCHER RUBBER COMPANY
MILFORD, MASS.

Quality Rubberized Goods Since 1907

Power Logging

Portable tools rapidly replace hand labor in forests. Sawmills on wheels prove their worth in difficult terrain.

Out through the forest, the farm wood lot, and the brush-infested areas of the nation, power equipment is rapidly supplanting slow, back-breaking hand cutting and clearing methods. Tools for felling trees and cutting them into pulpwood or firewood lengths, even for clearing underbrush for farming and grazing, are exploiting new areas every day.

• **Cutting Labor Costs**—Chain saws, portable rotary saws, tree shears (BW—Feb. 23 '46, p. 28), complete portable sawmills are being used to cut labor costs, speed production, and ease manpower shortages.

First to come into widespread use was the chain saw. Operated by one or

two men, powered with a small gasoline engine, portable chain saws weigh from perhaps 35 lb. to 100 lb. or more. Cutting teeth linked together in a flexible chain revolve around two pulleys set in a frame. Length of the cut is determined by the spread of the pulleys, and may range from about 14 in. up.

Some models, usually built into self-propelled power units, have been developed using cuts as great as 14 ft., suitable for felling redwood trees and cutting them into log lengths.

• **Cut at Ground Level**—Rotary saws, self-propelled, hand-controlled types or larger units mounted on tractors, are gaining increasing acceptance. These saws can cut off a tree at ground level, leaving little or no visible stump—a feature admired by loggers and farmers alike. It means several additional inches per tree available for lumber or pulpwood, and it leaves cleared land free of projecting stumps.

Such land thus can be used for grazing with little or no additional work. Or it can even be seeded to crops after use of special types of disk harrows

Fire Extinguishing System for Small Planes

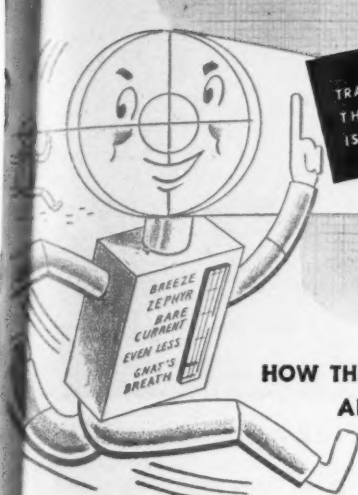
Among new safety devices for personal flying is a built-in fire extinguishing system for a small airplane. First experimental installation has been made by Walter Kidde & Co. in an Ercoupe owned by Craig and Lincoln Walsh of the Walsh Engineering Co., Elizabeth, N. J. A standard commercial product may result from this experimental installation.

Five pounds of liquid carbon dioxide under pressure are stored in a special lightweight cylinder connected to a system of piping running through the firewall to critical points

in the engine compartment. The system is controlled manually from the cockpit. When it is actuated, perforations in the piping release a gaseous blanket (right), having a volume 450 times its stored volume, which smothers flames. A special jet releases some of the gas directly to the carburetor intake. After extinguishing the flames, the gas evaporates harmlessly.

A safety release permits gas to escape outside the plane if excessive temperature should raise the gas pressure in the cylinder to more than 2,650 lb. per sq. in.





TRANE ENGINEERS KNOW
THAT AIR MOVEMENT
IS VITAL TO COMFORT,
So...

THEY MEASURE A BREEZE
TOO GENTLE
TO
FEEL



HOW THE TRANE SUPERSENSITIVE THERMO-ELECTRIC
ANEMOMETER HELPS PRODUCE BETTER
Weather Magic

Air movement is vital to human comfort. To study and measure the delicate differences between too much and too little air in motion—and apply that knowledge to Trane products—Trane laboratory engineers had to go beyond the ordinary devices for determining air velocity.

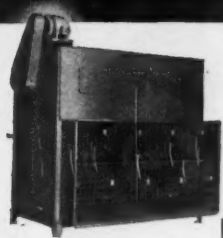
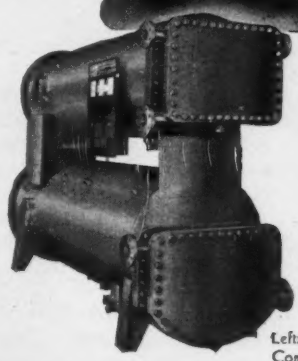
To achieve the precision in measuring very slight air currents they needed, Trane engineers developed a Supersensitive Thermo-Electric Anemometer, a device so responsive that a man's normal breath registers like a small hurricane on its dial. With this amazing instrument, Trane laboratory engineers are able to establish and

maintain *exactly* the amount of air in motion most conducive to human comfort.

Developing this Supersensitive Thermo-Electric Anemometer (sorry, but it's not for sale) is one more example of the ingenuity of the men who engineer and produce the complete line of Trane matched products—products that are designed and built together for use together.

More than 200 Trane Field Engineers in principal cities all over the country co-operate with architects, engineers, and contractors in the application of Trane products and systems—the utilization of Trane Weather Magic.

ONLY **TRANE** AIR CONDITIONING PRODUCTS CAN PRODUCE
Weather Magic



Above: The Trane Vertical Climate Changer
Left: The Trane Turbovacuum Compressor
Right: A Trane Cooling Coil

The adaptability and versatility of Trane products make them ideal for any comfort or process air conditioning application.

The Trane Turbovacuum Compressor is a self-contained centrifugal compressor. Virtually an entire equipment room is housed within this quiet, almost vibrationless machine.

Trane Climate Changers perform every function of true air conditioning in any combination—heating, cooling, humidification, dehumidification, filtering, and circulation.

The heart of any Trane air conditioning system is the famed Trane tube and fin cooling coil. There are Trane Cooling Coil types for clean or sedimented chilled water and for direct expansion refrigerants.



THE TRANE COMPANY

The House of Weather Magic

LA CROSSE • WISCONSIN

TRANE COMPANY OF CANADA, LTD., TORONTO

MANUFACTURING ENGINEERS OF HEATING AND AIR CONDITIONING EQUIPMENT



SELF-CONTAINED AIR CONDITIONERS



COOLING COILS



CONVECTIVE RADIATORS



CLIMATE CHANGERS



UNIT HEATERS



HEATING COILS



HOT WATER PRODUCTS



STEAM HEATING SPECIALTIES



SHELL AND TUBE HEAT EXCHANGERS



CENTRIFUGAL FANS



UNIT VENTILATORS



EVAPORATIVE COOLERS



Eye Accidents
Cost Industry
per shop worker
per Year*...

*(Society for the Prevention of Blindness)

98% of all Eye Accidents
are Preventable by
Wearing Goggles*



Send to your nearest A-O Safety Representative or direct to American Optical Company, Box B, for a copy of the new booklet, "Eye Accident Costs," which tells how much eye accidents cost, how to prevent them and how much you can save by preventing them.

American Optical

COMPANY

Safety Division

SOUTHBRIDGE, MASSACHUSETTS
BRANCHES IN PRINCIPAL CITIES



FISHERMAN'S PARADISE

The last word in fishery—from its way radio phone to a Sperry Gyro magnetic compass—the Neptune, an all-steel tuna boat, is now working out of San Pedro, Calif. Built by Her Boat Co., Oakland, the 82-ft. welded craft is powered by a General Motors twin diesel engine, has a Submarine Signal Co. fathometer, a 175-ton payload capacity. Electric pumps and winches are all push-button controlled.

which chew up the exposed surfaces of the stumps.

• **Production Speeded**—All sorts of production records are claimed for power saws. A single worker assertedly can cut ten to 20 cords of pulpwood a day compared with two or three cords ordinarily cut by two men with a hand-operated crosscut saw.

When a sudden ice storm broke down pine trees in East Texas two winters ago, timber operators using power equipment were able to salvage more than 1,000,000 cords of pulpwood.

There are numerous successful applications of power saws in clearing pipeline rights-of-way, dam bottom lands and farm fields.

• **Large Trees Sheared**—A newer development is the tree shears. Attached to the front of a track-type tractor, the shears will level trees 4 in. to 22 in. in diameter, are actuated by the tractor's forward motion plus the tree's resistance against the apex of the blades.

The hydraulic barker is an important development in the Pacific Northwest. Bark is peeled from logs under terrific pressure without the loss of wood that occurred under the old system. Several large pulp mills have installed them.

• **Mill to the Log**—Their war contract work ended, a number of northwest firms have turned to the manufacture of portable sawmills, drag saws, and chain saws. To the Northwest the de-

development of these portables is a turning point in the industry. Now the mill goes to the log, not the log to the mill, and when the work is done six months or six years from starting date, the plant is jacked up on wheels and started off to the next stand.

Portable sawmills have been improved to a high degree of efficiency. These take logs of any length and cut them into standard sizes for use by pulpwood mills. One such sawmill produces twelve truckloads of pulpwood a day, each truck hauling 24 units (160 cu. ft. of wood vs. 128 cu. ft. in the standard cord) at a time. Operating cost is sometimes higher than manual methods, but the sawmill helps get out pulpwood from difficult terrain, where it might otherwise be passed up.

Power on Wheels—A typical sawmill setup includes a chain conveyor to pull logs into proper position for cutting; a frame on which the cutoff saw is mounted; a tractor unit to provide power; a conveyor or crane-type loader to load the trucks; and a tool-house. All sections are wheeled.

One recent development in this category is a small mill selling for \$2,000 that can turn out 40 to 50 cords a day.

Essentially for land-clearing purposes, as distinguished from lumbering, is a new line of tractor attachments including treedozers, rakes for piling brush, and root plows to remove roots and stumps from the ground so that it may be farmed.



LITTLE STEEL MEN

The mechanical age takes over still another stronghold of tradition—chess. Henry A. Sherwood, president of Shirgun Corp., New York industrial engineers, uses SKF roller bearings in whole or part to make streamlined chessmen (above). He began the work as a hobby. Now chess fans are buying the sets—at about \$75.



THE SEASONED TRAVELER
GOES BY TRAIN



Forget about
weather reports

The Weather
Weather map, weather in other cities, Page 6.
U. S. Weather Bureau.
Local — Heavy snow probably changing to sleet late Monday extending throughout state. High lower 30's. Low 20-25. Little temperature change Tuesday and continued mostly cloudy.

Temperatures	
12:30 p. m. 29	7:30 p. m. 25
1:00 p. m. 27	8:00 p. m. 23

"... my wife said that judging from the threatening predictions made by the weather man I had better postpone this trip. But I told her she could forget about weather reports . . . I had my space reserved on Union Pacific. One thing about train travel—you know you'll get there—and home again."

* * *

The man is right. And, furthermore, he'll be completely rested; in A-1 shape for business appointments.

For dependable, all-weather transportation, may we suggest . . . be specific—say "Union Pacific."

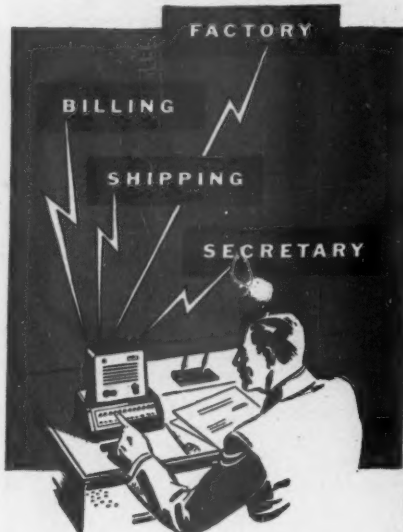
UNION PACIFIC RAILROAD

ROAD OF THE Streamliners AND THE Challengers



SHORT CUT TO—

Efficient Inter-Office Communication!



With Executone... the modern electronic inter-com... there are no hand-sets to fumble with, no dials to twirl, no batteries to go dead!

Executone automatically gives you control of your entire organization through instant voice-to-voice contact. You just press a button—and talk!

Instructions may be given, questions asked and answered, without anyone leaving his work. Executone minimizes inter-office traffic, relieves switchboard congestion, speeds up production all along the line.

Unconditionally Guaranteed! • Executone Inter-Com Systems are engineered to your requirements and unconditionally guaranteed. Installed and serviced by factory-trained specialists in principal cities. Over 100,000 installations prove Executone's dependability and leadership.

Two stations cost as little as \$61. Systems with up to 100 stations available.

Executone

COMMUNICATION & SOUND SYSTEMS

Mail Coupon for Further Information

EXECUTONE, INC. Dept. A-8
415 Lexington Ave., New York 17, N. Y.

- I am interested in data on Executone.
☐ Please send literature.
☐ Have representative call. No obligation.

Name _____

Firm _____

Address _____

City _____

NEW PRODUCTS

Auxiliary Seat for Bike

The Buddy Seat, manufactured by Auxiliary Bicycle Seat Co., Box 28, Norman, Okla., was devised to provide a safe, comfortable means for transporting a second person on a bicycle. The seat consists of a cotton-padded piece of wood, upholstered in leather-



ette and trimmed with plastic. Two steel clamps anchor it to the bicycle frame just back of the steering post.

Availability: delivery in quantities of 1,000 in ten days to two weeks.

Demagnetizing Unit

Luma Electric Equipment Co., Toledo 1, has developed a unit to demagnetize drills, punches, reamers, and tools that have been in contact with a magnetic chuck. The device also is intended to demagnetize large and small metallic materials that have become magnetized through processing. Luma says small pieces are demagnetized by one pass over the polished flat-top grid. For larger pieces, the instrument is passed over and around the magnetized work. The device operates on alternating current.

Housed in an aluminum case, the demagnetizer is furnished in three sizes, 4½x7½ in., 7½x7½ in., and 7½x14 in. An automatic self-resetting switch acts as an overload cutout.

Availability: delivery in five days.

Aluminum Solder

Prolyt, a new aluminum solder, is expected to have wide application in manufacturing jobs involving the use of aluminum and copper. Produced by Aluminum Solder Corp., 10 E. 52nd St., New York City, the solder utilizes no flux or flux substitute. Danger of

corrosive agents weakening or marring soldered joints is reduced to a minimum, the manufacturer states. Sheet aluminum, electrical wiring, and other types of aluminum equipment can be soldered with the new material.

Availability: immediate delivery.

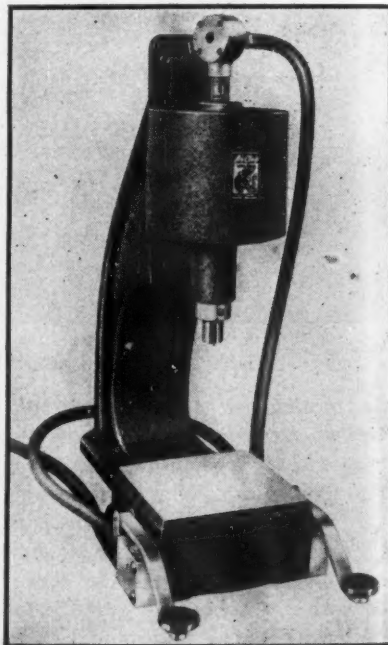
Hardness Tester

Screw action rather than weights and levers is employed in the Ames Portable Hardness Tester, manufactured by the Ames Precision Machine Works, Wattham 54, Mass. The device, which weighs less than 2 lb., measures depth of penetration in materials to determine the degree of hardness. Equipped with a diamond penetrator for hard materials and a ball penetrator for relatively soft materials, the tester operates by turning a hand wheel. Readings are made through a clear plastic lens placed over a barrel-type dial graduated to denote the hardness in both Rockwell B and C scales. A conversion chart is provided for transposing readings to the Brinell scale.

Availability: delivery in two to three weeks.

Air Valve

A valve intended to provide sensitive, easy actuation to air-powered machines such as drill presses and milling machines is in production by Mead Specialties Co., 4120 N. Knox Ave., Chicago. Of telegraph-key design, the valve is said to have a capacity sufficient to





A Good Resolution for Industrialists

One of the wisest things a business man can do is to promise himself to "Look Ahead—Look South" in 1947.

Here, in the South served by the 8,000-mile Southern Railway System, one industry after another is finding the answer to the all-important postwar problem of how to produce and distribute with economy and profit.

Forward-looking industrialists are quick to see the advantage of locating their plants

where there's an endless variety of raw materials... a mild climate year 'round... a pool of skilled, cooperative workers... and a large and fast-growing consumer market.

Whatever the industry, there's a bright future for it in this thriving section of the country as you'll discover if you make *and keep* a resolution to "Look Ahead—Look South" in 1947.

Ernest E. Horn

President

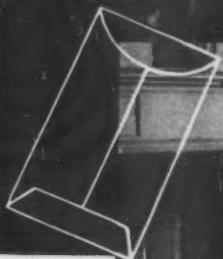


SOUTHERN RAILWAY SYSTEM

The Southern Serves the South

MANAGEMENT REACHES OUT
THROUGH THE
PROTECTED PAY ENVELOPE

It is good Management to help people
protect the things they care about



A man's family, his home, the things closest to his heart are prime motivations for efficiency, loyalty and pride in his job. Help your employees protect these things through Connecticut General's Protected Pay Envelope plan of comprehensive Group insurance protection.



**Nothing More Practical
For Your Business...**

THAN Mall
REG. U.S. PAT. OFF.

**PORTABLE
POWER TOOLS**



New Model 86 MALLSAW
Has 8½" blade and
2¾" cutting capacity

Everywhere you look you see more and more Mall Portable Gasoline Engine, Electric and Pneumatic Power Tools in factories, mines, forests, hotels, institutions, apartment buildings, homes, on railroads and construction jobs because men equipped with Mall Tools accomplish more, faster, with less effort. Over 25 years of pioneering and precision manufacturing experience assures top-quality tools for top-quality work. Also pioneers in production of large assortment of remote control flexible shafts and machines. Over 300,000 square feet of floor space provides complete plant facilities from plans to finished product. Write for complete catalog.

MALL TOOL COMPANY

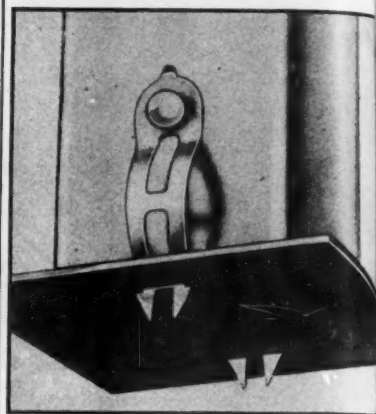
7768 SOUTH CHICAGO AVENUE, CHICAGO 19, ILLINOIS
25 Years of Better Tools for Better Work

give fast action to cylinders of 4-in. bore. The valve key travels approximately 1 in. from full closed to full open position. Two of the model FT-1 valves connected in series are recommended for air-press operations.

Availability: delivery in ten days.

Radio Construction Aid

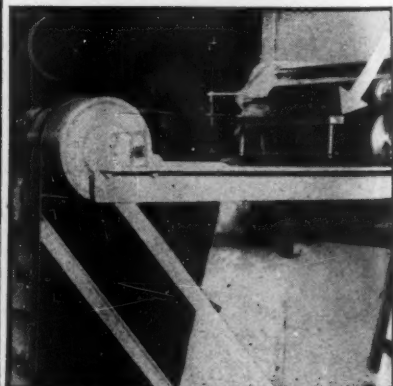
A new pronged fastener for mounting shield cans to a radio chassis has been designed by Palnut Co., 17 Cornicer St., Irvington 11, N. J. Two fasteners



ers are attached to opposite sides of the shield can. The assembly is then attached to the chassis by inserting the two pronged ends of each fastener in a chassis hole. The prongs compress to enter, but snap out when pushed through, locking the can on securely. Spade lugs, nuts, and lockwashers are said to be eliminated by the new device.

Static Eliminator

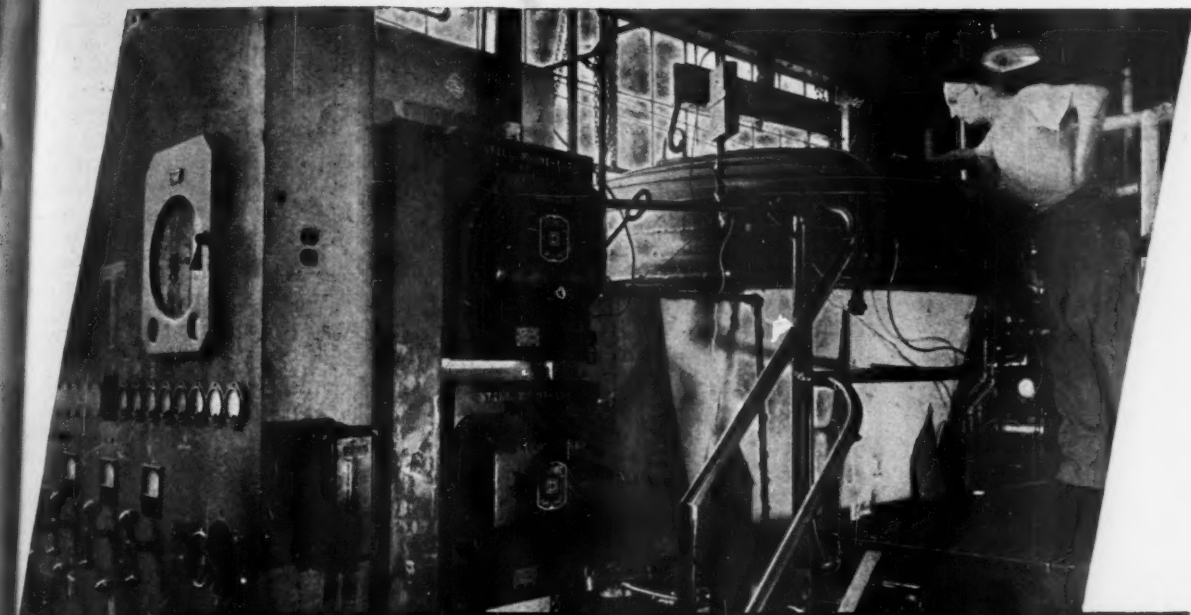
To eliminate static electricity at the discharge end of standard commercial automatic-drum print dryers, Radium Corp., 535 Pearl St., New York City, has developed Ionotron. It was conceived because commercial processes for drying photographic prints have sometimes been hindered by static electricity.



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WHAT'S GOING ON HERE?

a new process that may mean new earnings for you

MOLECULAR DISTILLATION BY DPI

● The operator in the picture above is watching molecular distillation at work in one of DPI's 5-foot Centrifugal Molecular Stills—a commercial version of the laboratory model 14" Centrifugal Molecular Still.

What is Molecular Distillation? Briefly, it is "short-path" distillation in exceptionally high vacuum. And it is the only known method by which certain organic materials may be separated or concentrated without heat injury to the ingredients.

How can Molecular Distillation help you? Many so-called "undistillables" are readily fractionated and purified through molecular distillation. If you work with substances like heavy petroleum products, animal fats, natural waxes, dyes, medicinal chemicals, vegetable oils—or any similar organic materials with molecular weights from 300 to 1000—it's likely that a laboratory model DPI molecular still could

expand greatly the scope of your research.

Where do you get full information about Molecular Distillation? A letter to DPI is your first step in obtaining the correct molecular still for your own use. Our skilled technicians—men who have pioneered in high-vacuum distillation research—will consider your problem thoroughly. We may ask for samples of your materials, and run them through the molecular stills. The resulting distilled fractions are then sent to you, along with detailed reports and suggestions—all confidential, of course.

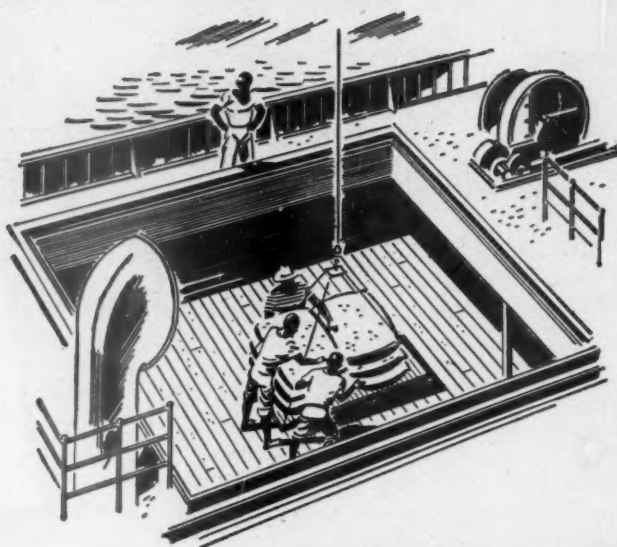
Should molecular distillation prove helpful to you, this carefully prepared DPI report would show which of the laboratory-model molecular stills offered by DPI would be best suited for your work. With this unique laboratory tool your path is opened for better research—research which could mean new earnings through new products or improved processing.

DISTILLATION PRODUCTS, INC.

739 RIDGE ROAD WEST • ROCHESTER 13, NEW YORK



Pioneering in Molecular Distillation and High Vacuum Research



WOOD DECKS are Easy on Bare Feet

Natives don't get a "hot foot" on ships decked with Wolmanized Lumber* for service in the tropics. Wood doesn't scorch bare feet and cargo holds insulated with this wood are cooler.

Pressure treatment with Wolman Salts* preservative makes wood highly resistant to decay and termite attack. Thus wood, best able to withstand the punishment materials must take aboard ship, is given this added ability.

What a combination! Wood for greater comfort and cargo safety, and pressure treatment for long life and low upkeep costs. There's an American Lumber wood treatment to meet your needs.



*Registered trademarks

WOLMANIZING

FLAMEPROOFING

CREOSOTING

1656 McCORMICK BUILDING, CHICAGO 4, ILLINOIS

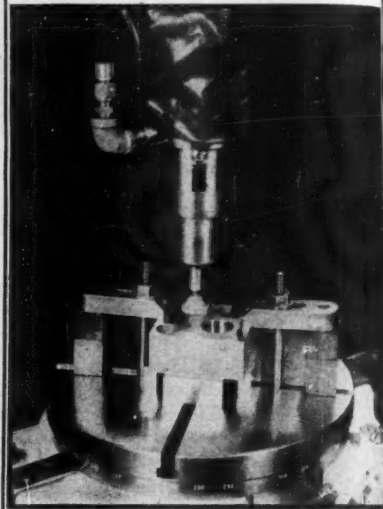
which caused prints to stick to the drum or to each other.

Ionotron consists of a shielded box with a radioactive alloy strip; it is placed over the paper prints at the point where the static charge tends to build up. The air, ionized by the alpha rays from the radioactive source, acts as a conductor to remove the static charges as they are generated. No power source is necessary, as the radioactive strip loses only 50% of its alpha-ray generating power in 1,600 years.

Availability: immediate delivery.

Machine Tool Converter

Vulcanaire is a high-speed air-driven attachment to convert jig borers and other machine tools into precision grinders. Manufactured by Vulcan Tool Co., 730 Lorain Ave., Dayton, Ohio, the complete unit consists of an adaptor, dust collector, air filter, pressure



gage, and oiler. The adaptor is designed to fit the chuck of any machine tool.

Controllable speeds ranging from 31,000 r.p.m. to 75,000 r.p.m. are claimed for the unit, using from 4 to 8 cu. ft. of air per minute. Precision grinding of holes from $\frac{1}{8}$ in. to $1\frac{1}{2}$ in. is reported to be possible by use of the device.

Availability: delivery in six weeks.

Wage Calculator

Designed to simplify the calculations involved in administration of wage-incentive plans, the Productirule is said to solve many difficult computations concerning costs, productivities, wages, and bonuses. The device is a ten-inch slide rule. Productirule Co., Irvington, N. Y., claims speed and ease of operation for its computer, which is calibrated to include problems involving time units between 1/10 min. and one hour.

Availability: immediate delivery.

MARKETING

Discount Revision Under Way

Some manufacturers making a start toward simplification of elaborate trade-allowances structure. Drug and farm-machinery companies take the lead. No general overhaul in sight yet.

A lot of manufacturers have been talking recently about revising their antiquated discount structures (BW—May 25 '46, p76). Now a few are beginning to do something about it.

The time is opportune because dealers' sales potential is high enough to make up for any loss from the removal of special discounts. The trend is particularly noticeable in the fields of pharmaceuticals and farm machinery.

• **Squibb's Plan**—E. R. Squibb & Sons discontinued all special discounts and special deals in favor of net prices, effective Jan. 1. Its theory is that demand for its products should be created by advertising and sales promotion, rather than by dealer incentives.

The only discount Squibb offers now is on the quantity ordered. For example, on certain products a dealer may make a 36% gross profit on the retail price (which is fixed by fair trade contracts) if he orders less than a "shipper"—typically, a carton of twelve 12-oz. bottles. But if he orders more than a "shipper" his gross profit is 40%. This arrangement is primarily to encourage dealers to order in quantities that en-

able the wholesaler to reship in original packages. It also reduces the detail work of wholesalers' billing and stock control.

• **"Bonus Goods" Dropped**—White Laboratories, Inc., also announced adoption of net terms effective New Year's Day. It discontinued all "bonus goods"—a common drug trade arrangement whereby a dealer gets an extra package free when ordering a certain minimum quantity. And it increased the size of the minimum order which entitles retailers to quantity discounts. At the same time it increased retail fair trade prices, where necessary, to assure dealers their customary profit margin.

At least one other pharmaceutical firm will adopt net terms within the next few weeks. Prime motive is to reduce handling and billing costs. But company executives admit that the confusion of special deals and discounts in the drug trade has become so great that it is extremely difficult to figure out competitive net prices.

• **Farm Machinery, Too**—In the farm equipment business, two manufacturers—Allis-Chalmers Mfg. Co. and Oliver



THE CEILING IS WHAT YOU MAKE IT

Today the sale of a used car is conducted with profound reverence—except in Los Angeles. There, Al Herd, an advocate of the quick turnover, puts some 200 late models on the block (above) every week. From a salesroom he figures he'd sell 75 cars monthly at a gross profit of \$200 to \$400 each. He reports that by auction he sells a couple of hundred cars weekly, makes \$50 to \$100 a unit. And it's an easier sales job because bidding is contagious, he explains. Herd says he obtains some of his stock from Easterners driving West, declares he reaped a harvest from people who "drove out" for the Rose Bowl game.

Sales Help for Petroleum Marketers



More Sales Out of This Can

Blended with your base oils, Monsanto lubricant additives contribute much to the "premium" quality of your sales—the logical result of improved lubrication that meets the demands of more powerful modern motors. If you are interested in the important business of stepping up sales by stepping up your products, Monsanto's experience and engine-test laboratories can probably be helpful. . . . Write MONSANTO CHEMICAL COMPANY, Petroleum Chemicals Department, 1700 South Second Street, St. Louis 4, Mo.





COINTREAU LTD
Liquor

Although a letterhead may be just one of a manufacturer's problems, it is my personal opinion that the most consistent advertisement I can produce is my letterhead. Therefore I want my letterhead in keeping with the high quality of my merchandise, and for this reason I have personally designed this letterhead to be reproduced on Strathmore.

Jacques Herve Cointreau

Does **YOUR** letterhead say **QUALITY...in every language?**

Acclaimed by connoisseurs the world over, Cointreau was first distilled in 1848 at Angers, France, by Edouard Cointreau. His formula is still a precious secret of the Cointreau family.

Your business contacts form an opinion of your firm from its letterhead. Choose a Strathmore letterhead paper... a paper that says quality in any language. The Strathmore watermark is your assurance of quality.

Strathmore Letterhead Papers: Strathmore Parchment, Strathmore Script, Thistlemark Bond, Alexandra Brilliant, Bay Path Bond, Strathmore Bond.

STRATHMORE MAKERS OF FINE PAPERS

Strathmore Paper Company, West Springfield, Massachusetts



HOME BODIES IN THE AIR

The station wagon, that has long endeared itself as an all-around family or commercial carrier, takes a new, inevitable turn—up. For nostalgic air travelers, the Stinson Division of Consolidated Vultee Aircraft is building a Flying Station Wagon (above) at Wayne, Mich. Remove the two back seats from the four-place plane and you have room for a 600-lb. cargo.

Corp.—discontinued the giving of special discounts a number of years ago. Now three other companies are following their example.

J. I. Case Co. has discontinued the 1% extra year-end discount it formerly allowed a dealer for settling the entire year's account, and International Harvester has cut out a similar 2% discount. Both firms cut their former prepayment discount of $\frac{2}{3}$ of 1% a month to $\frac{1}{3}$ of 1%. Deere & Co. has cut its prepayment discount from $\frac{2}{3}$ of 1% a month to $\frac{1}{3}$ of 1%.

• **Few Protests**—These changes were accomplished without strenuous objection from dealers, whose unit sales volume is currently high, and is expected to continue high as long as farm prices stay up. Currently, the dealers are much more worried about getting machines to sell than in hanging on to discounts that date back to a day when farm equipment distributorships were not, generally speaking, the solid-type business operation they now are.

By and large, the discount trimming so far isn't the broad general overhaul that many manufacturers would like to see. To date, for instance, nobody has tried to relate discounts strictly to the amount of service performed by distributors. But the revisions so far do reflect a trend toward greater simplification. And they do achieve certain distribution economies indirectly by nudging the distributor into making his purchases in bigger lots.

Beauty Snarl

Helene Curtis Industries claims sole rights to the cold processes used in \$400 million permanent-wave business.

Riding the crest of the permanent wave, Helene Curtis Industries, Inc., Chicago, claims it is the world's largest purveyor of beauty parlor supplies and equipment. Occasion for the statement is a modest stock issue, first in the 18-year history of the company. It is selling 60,000 shares of \$5 pfd. and 120,000 of \$1 par common (1,500,000 shares of common are privately held).

A few days before filing the SEC registration, the company startled the beauty trade with another claim: It declared it has exclusive patent rights to all so-called "cold permanent waves" now being given in U. S. beauty shops. • **Flourishing Industry**—At retail, the permanent wave (all kinds) has become a \$400,000,000-a-year business, according to trade estimates. Helene Curtis sold approximately \$5,200,000 of supplies and equipment for waves in the first nine months of 1946. This was 46% of its total volume for the period.

War was a major factor in booming the permanent. And Rosie the Riveter's spending habit hasn't changed, judging from the sales curve. But whether any kind of patents can be used to collect tribute from retail beauty shops would seem to be another question.

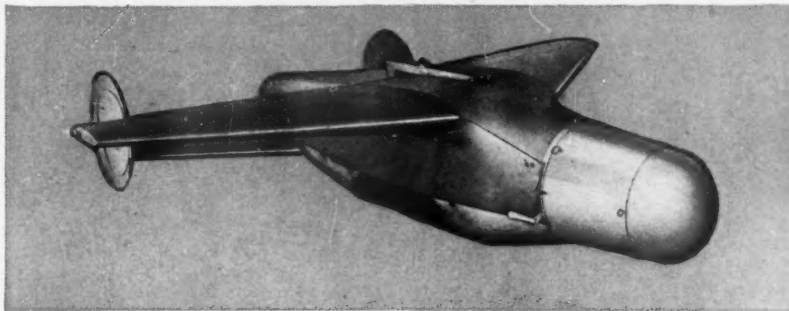
• **Scotch Curl**—According to the Helene Curtis announcement, the so-called "cold permanent" was originally conceived by Hugh and William MacDonald, beauty shop owners of Inverness, Scotland. The MacDonalds developed a machine system of hair curling and set up a manufacturing business in London 23 years ago. They had the idea that hair could be waved through the use of chemical solutions, without heat. They employed Dr. John B. Speakman of Leeds University to work it out for them.

Exclusive U. S. rights to the Speakman patents now belong to Helene Curtis. The company says these rights "cover the use of all cold waves now being given to American women." Willard Gidwitz, vice-president, said that the Chicago company "acquired the rights partially in self-protection; and is presently developing plans to make them available to the trade."

• **Patent Kinks**—Just what terms Helene Curtis will offer has not yet been disclosed. It is a good bet, however, that a royalty on beauty shop owners (Helene Curtis' customers) would present collection difficulties.

One attempt to put permanent wav-

The secret weapon no Jap ship could dodge



Story of the NAVY BAT*...

Could a way be found to penetrate enemy anti-aircraft fire . . . and blow each Jap ship to bits . . . *without* losing our pilots?

That was the urgent question. And American genius answered with the Navy Bat—a radar-guided glider bomb.

Designed to glide silently at 300 miles per hour—with a 1,000-pound bomb in its belly—the Bat was carried by a Navy patrol bomber.

At a point five miles from the target, the "mother" plane would aim the Bat at a Jap ship and release it. From then on the Bat automatically followed every twist or turn of the enemy ship—and smashed into the dodging Jap.

Used against Jap destroyers, tankers, picket boats—and land installations—this weapon was so effective the enemy thought we had a suicide pilot inside each Bat.

Instead, the Bat contained revolving radar gear to search for the target—and tiny gyroscopes to correct for errors in flight.

...and its 36 BALL BEARINGS

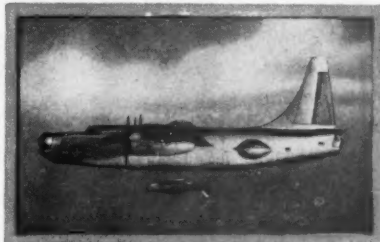
The men who developed this marvel knew that every Bat had to hit its target. They designed special guiding mechanisms. They made them sturdy, trouble-free, delicately responsive. They mounted the moving parts in 36 BALL BEARINGS.

New Departure ball bearings can be mounted in any position. They hold moving parts precisely in place—with unchanging accuracy—under every

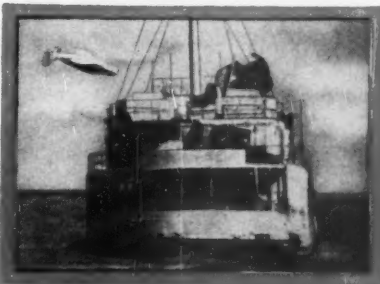
kind of load. They move with less friction than any other type of anti-friction bearing.

In the Bat—and in many other kinds of mechanized war materiel—375 million New Departure ball bearings helped our fighting men.

Today, millions more of these precision-made ball bearings are helping America at peace. By increasing production—by cutting costs—by serving industry in every field.



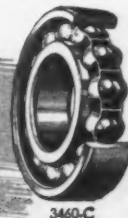
"Mother" plane—five miles from target—aims the Bat, releases it, and turns away from enemy anti-aircraft fire. Bat glides ahead.



Automatically following every change in course of enemy ship—the Bat hits the target. First such weapon successfully used in combat by any nation. (*Sponsored by U. S. Navy Bureau of Ordnance and Bureau of Standards, the Bat is 12 feet long, has a 10-foot wing span. Official U. S. Navy photographs.)

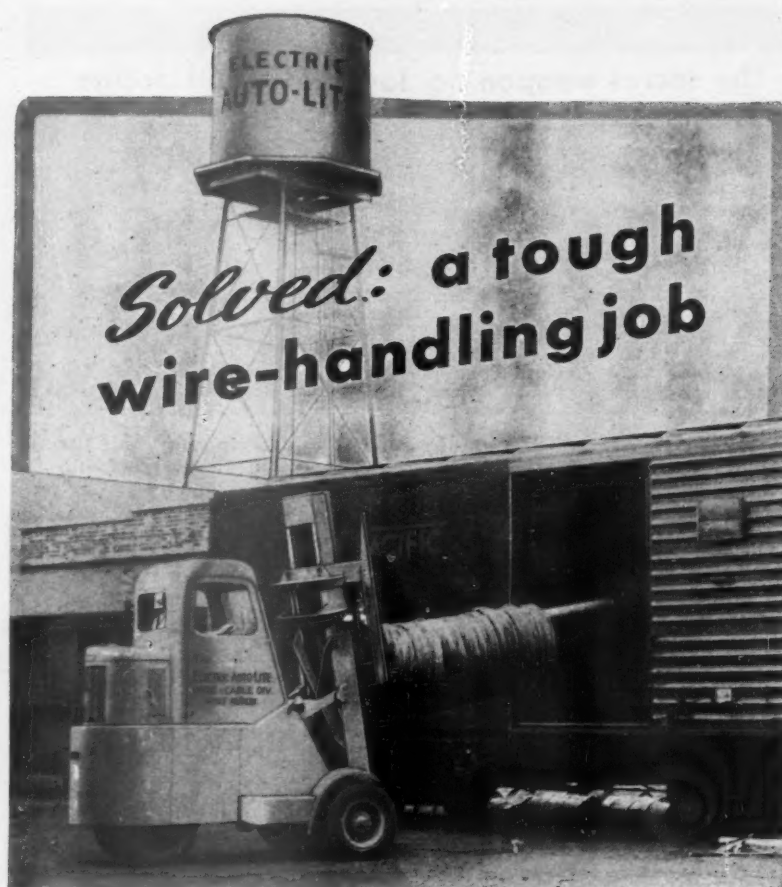
nothing rolls like a ball

NEW DEPARTURE
forged steel
BALL BEARINGS



3460-C

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Electric Auto-Lite's Wire & Cable Division at Port Huron, Michigan relies on a ROSS LIFT TRUCK to unload and transport half-inch copper rod from box cars to yard storage and pickling vats. This gasoline-powered, pneumatic-tired lift truck equipped with 10-foot ram attachment, handles fifteen to twenty 250-pound coils per trip. Time and manpower requirements have been cut to a mere fraction of those necessary with former handling methods. In addition, use of this ROSS LIFT TRUCK almost entirely eliminates damage to the soft copper — damage which formerly caused costly delays at the wire-drawing machines. And, because the ROSS ram is readily replaced by standard forks, Electric Auto-Lite's ROSS LIFT TRUCK effects similar savings on a variety of other materials-handling jobs . . .

This is but one of the many instances where ROSS Heavy Duty LIFT TRUCKS — 6,000 to 18,000-pound capacities — have provided the most efficient, economical answer to tough handling problems . . . It will pay you to get in touch with ROSS — ask for Bulletin BW-17.



THE ROSS CARRIER CO.

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ing under royalty was that of the Philad Co., owner of the Mayer Croquignole wave patent. Philad succeeded in levying on manufacturers of equipment until a New York federal court ruled that it merely owned a process patent. When the company tried to license shop owners it ran into a legal battle with the National Hairdressers & Cosmetologists Assn. The trade group filed suit for a declaratory judgment and got a decision that the patent was invalid.

The Cold Wave Patent Co., owner of the Willat patents, made a second try. It launched a direct mail campaign to license shop owners. The hairdressers' association again advised its members not to pay. Validity of the Willat patents is still untested.

• **Key Material**—The cold permanent has grown rapidly in popularity. The Helene Curtis announcement declared that all such waves now given "follow the basic Speakman procedure, which is to soften the hair, wave it by wrapping it around a cylindrical object, then restore the hair's hardness in the new waved shape."

Active ingredient in most cold waves is ammonium thioglycollate, derived from thioglycollic acid. The American Medical Assn.'s Journal and the federal Food & Drug Administration have looked askance at thioglycollic acid. For a time it appeared that the government might seek to ban cold wave materials as "dangerous cosmetics" under the federal Food, Drug & Cosmetic Act. Recently, however, an FDA spokesman told the National Beauty & Barber Manufacturers' Assn. that there has been no evidence thus far that thioglycollate waves are dangerous under normal conditions.

Farm Research Plan Awaits Federal Funds

The new Northeast Farm Foundation offers the U. S. Dept. of Agriculture a regional pattern for parceling out millions of dollars in market research grants under the 1946 research and marketing act.

The foundation is the child of 20-odd farm organizations and institutions in New York, New Jersey, and Pennsylvania. It was first planned three years ago as a clearinghouse for information and publicity. The research act, which permits federal grants to nongovernmental agencies, gave new motive power to the foundation when it was finally organized last year.

• **Funds Not Appropriated**—Whether the foundation, which is presently scouting Philadelphia for office space, will become a full-blown research organization or follow its original blueprint depends on both the 80th Congress and the Agri-

culture Dept. Essential first steps are that Congress appropriate the funds authorized in the act, and that the department decide whether organizations like the foundation are eligible for grants. Neither step has been taken.

Farm bloc legislators followed the parity principle they like so much in enacting the research act. Putting agriculture on an equal footing with industry and business in market research is the act's basic intent. The act proposes an increasingly large outlay for research, stepping up from \$9,500,000 in the current fiscal year to \$61,000,000 in 1951.

• **Co-ops Are Members**—On the roster of the foundation's organization meeting were farmers' co-ops, general farm organizations, commodity associations, and several state agricultural agencies.

J. A. McConnell, general manager of the Cooperative G.L.F. Exchange, a farmers' purchasing co-op, is the foundation's board chairman and a prime mover in its development.

If the foundation's hopes for a grant are fulfilled, similar regional organizations are likely to spring up to seek federal funds for market research.



FOR STAY-AT-HOMES

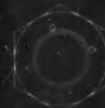
Stouffer customers in Shaker Heights, a Cleveland suburb, can now buy the restaurant's featured meal of the day to take out—uncooked food ready for the stove at home. The new experimental service conforms to principles on which Vernon and Gordon Stouffer built their restaurant chain: highly palatable food offered in limited choice. They believe that people like to have their minds made up for them. Typical take-out service is a lamb dinner for two (complete except for butter and beverage) at \$1.65 a person, or a "guest" lobster dinner at \$1.85. A la carte items are also available.

BUSINESS WEEK • Jan. 11, 1947

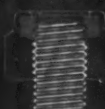
THE FAMOUS *Red Elastic Collar* IS A SYMBOL OF SECURITY



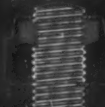
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This wide range of protection permits full purchasing and inventory standardization and its resultant economy. For further information address: Elastic Stop Nut Corporation of America, Union, New Jersey. Sales Engineers and Distributors are conveniently located in many principal cities.

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The new No. 212 Bryant Automatic Internal Grinder roughs and trues and finishes and stops automatically. It requires a minimum of operator attention. It has 9" maximum swing — 3" grinding traverse — 12" total wheel traverse.

The wheelhead shown is the Bryant Hi-Frequency direct drive motor built to operate at speeds up to 100,000 R.P.M. The wheelhead is carried on a hardened and ground cylindrical slide.

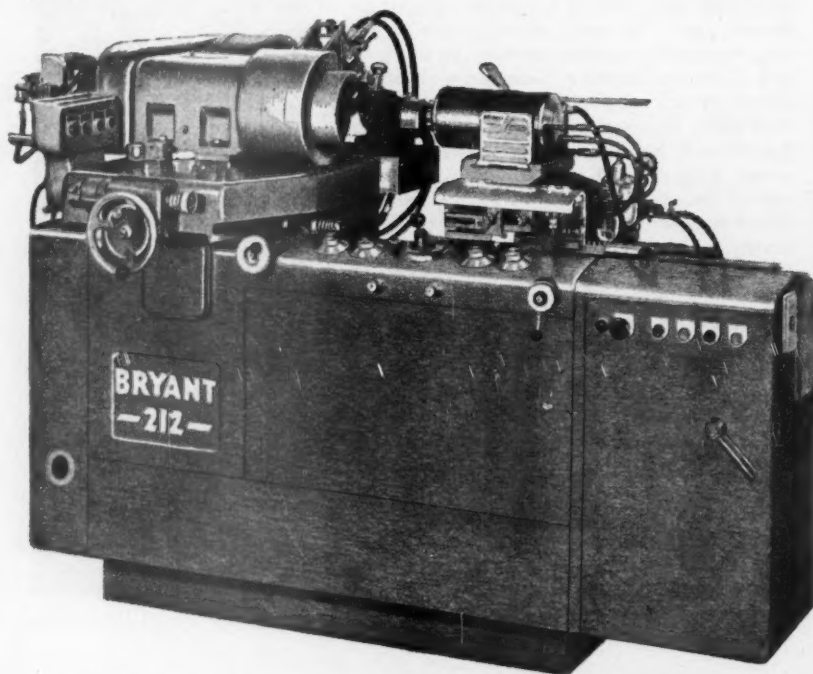
The cross feed is in the work table which rides on anti-friction bearings and is controlled by a precision lead screw. The work spindle is mounted in preloaded ball bearings and is dynamically balanced to assure precision work.

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BRYANT

Butter Probe

Justice Dept. charges farm co-op's buying spree in New York dairy market violated federal Commodity Exchange Act.

Government agencies are still tussling with problems stirred up by the butter-buying splurge of the Dairymen's League Cooperative Assn., the New York milkshed's gigantic farm co-op (BW-Jan. 4 '47, p71).

The league bought 668,000 lb. of butter on the New York Mercantile Exchange. The buying, spread over five days, supported the price of Grade A (92-score) butter at not less than 84¢ a lb. The league thus predetermined the January farm price of fluid milk under the New York marketing order.

• **Federal Action**—The Dept. of Justice, first of several investigators in the case, wanted to know: Did the league's admitted excursion into the butter market violate the Commodity Exchange Act? Now the U. S. Attorney for the Southern District of New York, John F. X. McGohey, says it did. He backed the charge with a criminal information against the association and four of its top officers.

The league will answer the accusation next week. If the way in which Henry H. Rathbun, league president, greeted the formal charge is an indication, the league will deny guilt, stand trial in federal court. Hanging over the association and its officers are penalties ranging up to fines of \$10,000, imprisonment for a year.

• **League Purchases**—The league is charged with manipulating and attempting to manipulate the price of butter. The U. S. Attorney's information says the league spent \$561,757 for butter. The purchases rolled up from 8,815 lb. on the first day to 329,498 lb. on the fourth day. The last day's buying accounted for 196,492 lb., with the league paying 84.5¢ a lb.

In addition to Rathbun, the officers named in the information are Leon H. Chapin, treasurer; Hadley Benson; and Herbert Seeley. All are members of the league's five-man executive committee.

• **Further Inquiry**—Up to midweek, none of the other investigating agencies had taken any action comparable to the Justice Dept.'s criminal charge. The Dept. of Agriculture, which is responsible for administering the commodity act as well as the milk marketing regulations, called an omnibus hearing. Its purpose was to consider revisions in the six federal milk orders that rely on New York butter quotations to reckon farm prices. Gov. Thomas E. Dewey's team of state investigators continued to look

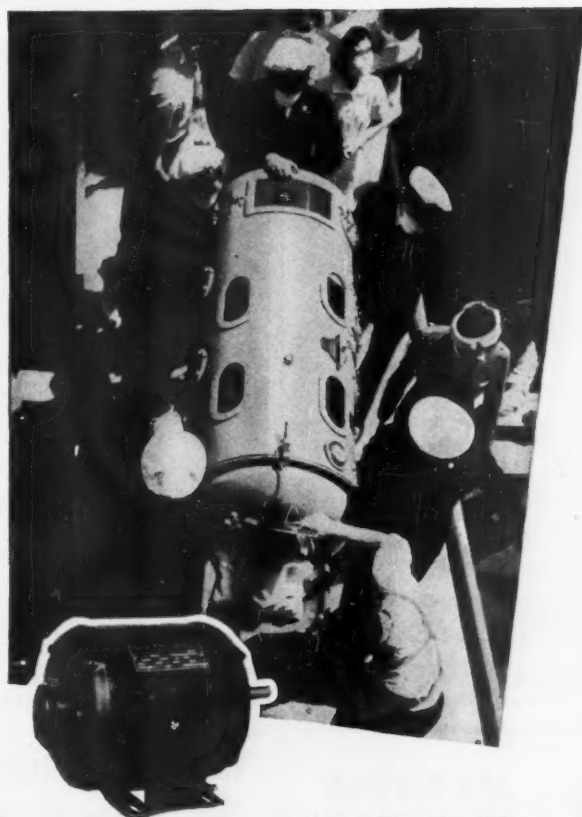
into the transactions. And federal probers thus far had skirted the important long-range problem of guarding the Agriculture Dept.'s 30 milk-marketing orders against a repetition of the foray.

SLOW-MELTING ICE

Two test cars of carrots recently shipped from Salinas, Calif., reached Cincinnati and Washington, D. C., in what was reported to be field-fresh condition. When unpacked, they still had a thick top coating of ice, without having been re-iced in transit.

The ice is a product called TW-ice by its inventor, Dr. J. N. Sharma, head of the Zenith Processing Co., Los Angeles. During the freezing process, an undisclosed chemical is introduced. Sharma says that, while the chemical does not change the freezing point, it retards meltage from 37% to 40%.

Sharma's applications for patents are pending, but TW-ice is already being made available to shippers in any part of the country. Local ice companies will be supplied with the chemical and licensed to manufacture for their customers. Trade estimates indicate that TW-ice will command a premium of up to \$2 a ton over untreated ice.



The Power to Foil Death

When you read in the newspapers that an American lad is being rushed in an "iron lung," from some far corner of the earth to his home, you may gasp as the thought strikes you "Suppose the motor should fail!"

You are not the first to think of that possibility—the manufacturer thought of it in selecting the motor to power the "breathing machine"—a dependable Wagner electric motor. The selection of a Wagner motor . . . and its faithful performance . . . is testimony of which Wagner is indeed proud.

Wagner electric motors are chosen to power iron lungs, as they are for thousands of industrial, institutional and home applications, because of their rugged dependability, efficient operation, and their ability to meet any need.

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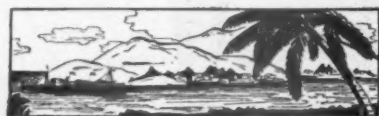
Last week, Lansing P. Shield (above), vice-president of Grand Union Co. since 1929, moved into the president's chair. His company, one of the oldest food chains, will celebrate its 75th anniversary this year, with expected sales of \$80,000,000. Shield joined Grand Union as comptroller in 1924. As president, he succeeds J. Spencer Weed, who has been elected to the newly created post of board chairman.



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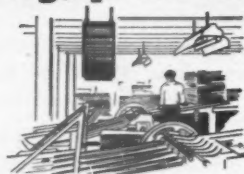
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MODERN DESIGN: DECORATIVE AND FUNCTIONAL

The shortage-harried British, necessarily adept at scrimping, are developing tricks to eke out materials and shipping space, both vital to their export life-line. A Gloucester concern, which exports a large number of pianos each week, slices a wedge off its sleek modern upright and detaches the keyboard. Then it turns one upside down, ships two in considerably less space than they formerly occupied. Added advantage: The new design saves hard-to-get lumber.

TIP TO WINE DRINKERS

French wines now reaching the American market at something like their prewar volume are worrying cautious importers and wine merchants. Some are high priced, and others are considerably lower in quality than their labels would give any indication of to uninitiated customers.

Dealers get the imports willy-nilly—if they want to keep on getting Scotch and bonded liquor. Even after marking the wine down (and shifting part of the price to prized whisky lines), dealers are still worried about keeping their customers satisfied. Disappointing flavor or over-pricing is likely to send the new wine consumer to another dealer for his supplies. Hence retailers are trying various methods of safeguarding goodwill.

One method is the new twist Otis & Lee, big-league Chicago liquor chain, has given to grade-rating French wines. The ratings are conferred by a jury of experts the firm has selected from hotel men and connoisseurs.

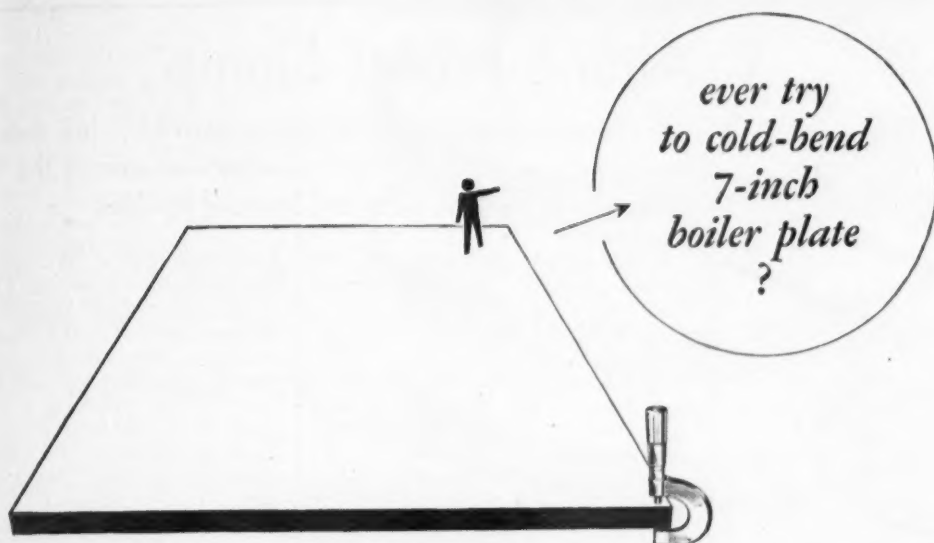
Instead of merely grading the wine, the Otis & Lee board gives it a double rating. Quality is shown by letters: A for excellent, B for good, C for fair. Value, in terms of quality for price, is indicated by numerals: 1 for excellent value, 2 for a good buy, 3 for an average buy.

Otis & Lee's first list pulls no punches. It rates twelve of the 94 listed items at "3" and 32 at "2." The outstanding example of results of the new grading was found among the white Bordeaux; Chateau Yquem of 1928 at \$9.25 in a 25-oz. bottle rates an A-3; the same wine of 1929, a better vintage, at \$3.10 in tenth-gallons (\$6.05 per 25-oz. package) draws an A-1 from the jury of experts.

SIGN OF THE TIMES

In three of the country's 17 states where state monopolies of packaged liquor sales prevail, New Year celebrants joyously greeted the end of one curb on their gaiety: Virginia, Michigan, and Oregon discontinued rationing of whisky blends Dec. 31. Pennsylvania will probably follow their lead later this month.

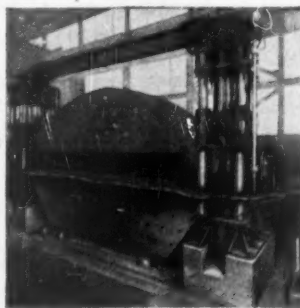
In the few other states where rationing is still effective, controls will probably be lifted at the end of the fiscal year in June. Stocks are easy enough so that the expense of rationing is no longer warranted. But supplies of Scotch, bourbon, and bottled-in-bond and straight rye are a different matter. Many monopoly states still get too little to ration, so they merely announce receipt of a shipment and let the public scramble for what there is—first come, first served.



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This giant press is 55 feet wide and 49 feet high (27 feet above ground and 22 below). The tremendous pressure exerted by it is needed in the final stages of forming heavy plate, where cold-bending eliminates warping and permits finishing to very close tolerances.

So far we haven't had to cold-bend 7-inch boiler plate, present commercial limits being slightly over 5 inches, but to be able to do so is a not-unusual example of C-E facilities. In the 60 acres of C-E plants you will find specialized equipment for every manufacturing requirement — some of it as spectacular as this 6000-ton press.



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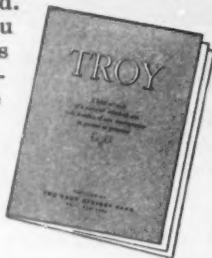
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FINANCE (THE MARKETS—PAGE 102)

Airline Profits Slump

Despite record traffic, 16 carriers earn 83% less than in 1939 nine-month period. Eastern is one exception among the Big Four. TWA, hit the hardest, faces stiff financial troubles.

Revenue-paying passengers using the commercial airlines' domestic routes in 1946 totaled more than 13,000,000, a new peak and a gain of 78% over 1945. Revenue miles rose 72% above 1945 to over 6,000,000,000, the Air Transport Assn., airline trade group, estimates. And air expenses and freight shipments chalked up a 57% rise.

But in relation to increases in airline facilities, these statistics don't look so good. For instance, the 78% gain in passengers contrasted with a 125% rise in airlines' seating capacity. The result was that the average payload per plane trip dropped. This fact and such other problems as large increases in operating costs made 1946 a dismal year for the industry, as was predicted (BW—Oct. 26 '46, p. 66).

• **TWA Seeks Loan**—Few carriers, large or small, escaped the effects.

Particularly hard hit financially was

Transcontinental & Western Air, third largest U. S. airline. Despite earlier private sale of \$40,000,000 of debentures to New York's Equitable Assurance Society to take care of money needs after V-J Day, last month found TWA requesting a \$40,000 loan from Reconstruction Finance Corp. As the new year opened TWA was still "studying" the loan application.

• **Slump Was Expected**—Astute investors decided some time ago that airlines' immediate postwar prospects weren't too bright. Early in 1946 much "smart money" retired from line shares (BW—Feb. 2 '46, p. 107). Stocks' prices slumped sharply (page 66); even at the lower levels, line shares remain a pretty neglected group.

Many of the basic causes of today's serious problems represent "natural



CHANGE OF CAST AT REPUBLIC AVIATION

Republic Aviation Corp. last week revamped its top stratum. Alfred Marchev (left), president since 1943, became chairman to fill the spot vacated in 1945 by W. W. Kellett, now of Kellett Aircraft. Mundy I. Peale (right) moved from vice-president and general sales manager to president. Marchev began his career in gliders in his native Switzerland before coming to the U. S. in 1919. Since then, he has worked for Western Electric and Ditto, Inc. Peale has been with Republic since 1939, directing its Indiana plant during the war.

business hazards following the return of peace. Some, however, must be blamed on bad judgment shown by management.

There was too much managerial optimism over the postwar picture, for example. This resulted in considerable overstaffing (workers per plane recently totaled 129 vs. 53 in prewar days) at a time when wage rates were climbing rapidly; costly personnel training courses had to be set up, too.

Costs Rising—Excessive expansion of equipment and flight schedules has cut into postwar profits. Other factors have contributed: the costs of developing new routes, higher depreciation charges, and the cost of financing expansion programs. Delays in deliveries of efficient new equipment have hurt,

even more important has been the sharp drop lately in passenger traffic. This has come as a surprise to some industry officials. But others had long been expecting to see traffic slump in wartime conditions no longer artificially stimulated air travel. And they don't foresee any sharp reversal in the near future.

Some of the current slump, as industry officials insist, probably has been caused by seasonal factors. But travelers have been deterred by the recent string of air accidents. Also, they have grown increasingly aware of the loss of time and other inconveniences caused by inadequate airport facilities.

Profits Decline—The full effect on the earnings of such factors has yet to be revealed. But January-September reports made bad reading. Despite 50% lower revenues, 16 carriers had only \$92,000 of profits after taxes, a drop of 83% from their 1945 joint net of \$938,000. Six of the 16 showed losses.

Of the Big Four, only Eastern Air Lines, with earnings of \$3,586,000 vs. \$1,005,000, had larger profits than in 1945. And TWA, despite a \$2,943,000 carryback credit, suffered a \$4,846,000 loss.

Critical Situation—TWA, which admits it faces a situation "as critical as that in 1934 when airmail contracts were canceled," had more than "normal" unfavorable factors to cope with in 1946. Last summer its large Constellation fleet was grounded while structural changes were made (BW—10.20'46,p17). Another blow was last fall's very costly 25-day pilot strike (BW—Nov.23'46,p100).

Because of such troubles, last fall TWA finally decided to cut back its original postwar expansion plans. It has canceled orders on lease arrangements covering 25 new planes. Daily scheduled route mileage has been slashed 22%. More than 2,000 employees have been dropped. And the



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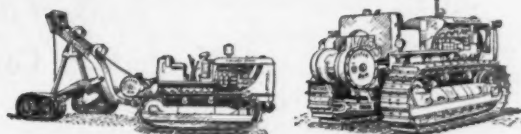
When you buy a Hyster winch, yarder, logging arch, skully or the new Hystaway, you have the assurance of friendly, intelligent cooperation on service as well as sales from men who know—"Caterpillar" distributors and dealers all over the world.



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The Case of the 3 Million Dollar Charge Account

SKYROCKETING sales can sometimes present a problem.

Hearn Department Stores, in New York, found this out in 1938, when installment sales hit a new high of \$3,000,000. The Company felt that the time had come for a more efficient plan of credit financing to handle its increasing volume. Specifically, it wanted to eliminate the practice of short-term borrowing to finance long-term sales.

The officers of the Company came to the Bank of Manhattan and explained their problem. The Bank went to work and designed a custom-made solution.

It took over all of Hearn's installment contracts. As sales expanded, the Bank's credits expanded. As sales contracted, the Bank's credits contracted. Thus Hearn had to pay for no more financing than it actually needed.

The plan called for versatile service from the Bank of Manhattan.

Through its own Credit Department, the Bank made a careful check of Hearn's customers' credit. In peak seasons when installment sales increased by the thousands, Hearn could depend on the Bank to service these accounts

and thus avoid the expense of enlarging its own staff.

And when the Company introduced coupon books in 1940, to facilitate installment purchases of low-cost items, the Bank financed these credits, too. The number of small accounts increased tremendously. And all were serviced by the Bank without impairing customer-store relations.

Helping solve business problems, such as this one, is an old story at the Bank of Manhattan. And the solution is almost always *custom-made*. For this Bank specializes in assisting customers not only with financial aid, but with *imaginative business counsel* as well.



**Bank of the
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NEW YORK

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Airline Stocks Nosedive

Few stock groups fared as unhappily in 1946 as the airlines. While the Dow-Jones industrial index at year-end was down only 17% from the year's high, losses among the airline issues ranged, in most cases, from 60% to almost 80%, as shown in the table below.

During 1945, the air carrier stocks were among the most spectacular performers on the up side. Individual gains ranged as high as 112% for American, 182% for TWA, and 235% for Eastern. When the turn came, profit-taking sales took a heavy toll. This was followed by wholesale dumping as stockholders saw the airlines' profits fade away rapidly under the impact of sharply rising operating costs and a decreasing passenger-load factor.

Airlines	Bull Market		1946 %
	High	Close	
American	\$19.87*	\$9.12	54.1%
Braniff	37.50	12.25	67.3
Colonial	45.00	11.00	75.6
Chicago & Southern	35.50	7.50	78.9
Eastern	33.50*	21.25	36.6
National	34.75*	15.62	55.0
Northwest	63.50	20.87	67.1
Pan American.....	29.00*	12.25	57.8
Penn-Central	49.75	14.25	71.4
TWA	79.00	20.00	74.7
United	62.50	22.87	63.4
Western	40.50	8.87	78.1

* Prices adjusted to compensate for stock split-up.

line is planning to cut its annual overhead by some \$4,000,000.

Wall Street estimates that TWA may require some \$50,000,000 of additional capital in order to get squared away again. Getting such a sum from the public would appear a tough task at the moment because of the coldness later of the new issues market to all except well-timed, properly priced offerings of top-flight investment stature (BW Dec. 7 '46, p111).

• **Hughes Objects**—TWA some time ago had considered selling a brand-new convertible preferred stock issue to acquire permanent new capital. But President Jack Frye saw later that such stock would prove hard to sell. He then decided (1) to ask holders of the 1,000,000 shares of capital stock now outstanding to authorize issuance of 2,000,000 additional shares for sale when marketing conditions improved and (2) to request the RFC loan to tide over the company in the interim.

Frye seemingly had little trouble getting his directors, and Equitable Life

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These 3... together



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Frye's contemplated Reconstruction Finance Corp. deal similarly has little lure for Hughes. One condition of the loan, reports indicate, would require placement of his present TWA holdings in the hands of a voting trustee until such time as the advance was paid off in its entirety.

Wall Street hears that Hughes, riled over the line's situation, recently demanded that a majority of TWA directors resign in order to permit a revamping of the board in a fashion that will be more to his liking. He also is said to want drastic changes made in TWA's present official staff, with direction of the company's financial policies in the hands of a financial vice-president who will be someone of his own choosing.

• **Counter Threats**—Frye has announced that he does not intend to resign. Instead, he is said to be demanding that Hughes (1) supply the line with \$10,000,000 of cash immediately, and (2) place his stock interest in a voting trust (dominated by Equitable-appointed trustees).

TO THE TREASURY

A. L. M. Wiggins (right) comes to his post of Under Secretary of the Treasury tagged as a moderate liberal. President of American Bankers Assn. in 1943-1944, he had gained a national reputation on his record in his home town—Hartsville, S. C., where he heads two banks and two newspapers. He made his official bow in Washington at a Hoover antidepression conference in 1931, served on a regional advisory committee of the Reconstruction Finance Corp. As under secretary, he succeeds O. Max Gardner, who was recently appointed ambassador to Great Britain and who also hails from below the Mason-Dixon line.

If Hughes doesn't agree to these stock proposals, an attempt to buy stock interest will be made. And reports indicate that, if all such efforts come to failure, TWA as a last resort is prepared to file a petition in bankruptcy.

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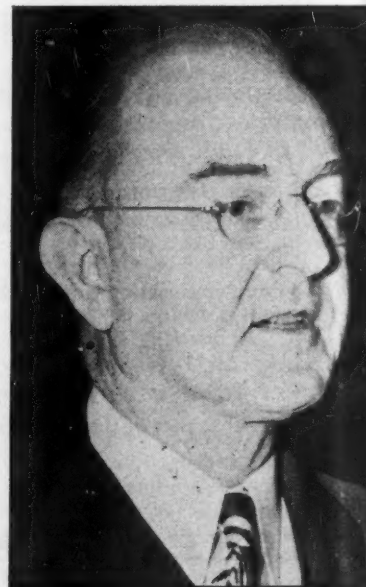
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Southern Pacific Settles Kentucky Tax Suit

The sun shines bright once more on the old Kentucky home of the Southern Pacific Co.—the little white cabin at Spring Station, Ky., which houses the corporate charter of a railroad whose nearest tracks are a thousand miles away.

For some reason which has become lost in history, the Southern Pacific took up corporate residence in the homestead by authority of a special act of the Kentucky legislature enacted Mar. 17, 1884.

• **Tax Troubles**—For the past few years S. P. and the Kentucky Tax Commission have been at odds over the railroad's tax liability (BW—Oct. 27, p. 74). When the state decided that the railroad should pay taxes to Kentucky commensurate with its standing in the community of common carriers, the railroad rebelled. Total amount asked by the state in back taxes was



tics added up to more than \$18,000. Last month the railroad and the tax commission buried the hatchet. The was settled for \$3,600,000. Also ed upon was a basis for future tax sments, which will run about \$1,000 a year.

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FORD DROPS SAVINGS PLAN

Ford Motor Co. has discontinued employee investment plan, which ed workers to deposit up to a th of their salary with the company minimum guaranteed interest rate 4%. As of last August, 8,667 em- ees—hourly paid as well as salaried ple—had \$11,252,823 in the plan. participants have been notified to sent their books for final payment ull.

The reason for the discontinuance es back to 1941. That year Ford topped accepting additional deposits, plaining that the trends of corpora- n laws raised a question whether re- ot of these deposits continued to be in the legal powers of the corpora- n.

The windup of the plan is an out- with of that decision. Ford officials med it unfair to continue an ar- gement in which no newcomers d join.

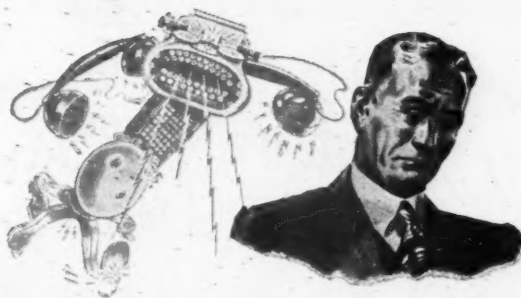
The plan has been a real bonanza thousands of Ford people who par- ticipated in it. The money invested was t as part of Ford's cash fund. When d profits were big, the investors eived proportionate returns. One r the return was 16%.

A 6% return was guaranteed from 20, when the plan was begun, to 1933, en the guarantee was cut to 4%. In rs when losses occurred, payments to ke up the minimum return came out Ford's pocket.

BANK LAW CLARIFIED

The Federal Reserve Board scored a or legal triumph this week when e Supreme Court finally cleared up a yz portion of the banking law. Under the Banking Act of 1933, no

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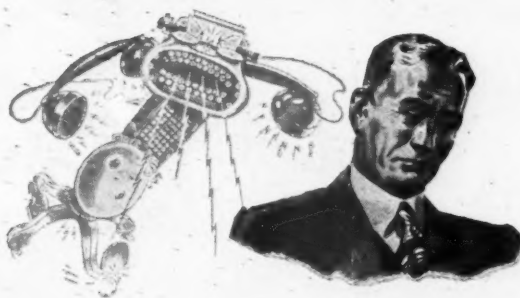
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director of a member bank of the Federal Reserve system can be an employee of a firm that is "primarily engaged" in underwriting securities. The idea behind this was clear. Congress wanted to break the old tie-in between commercial banking and security flotations which many economists blamed for some of the troubles the banks got into during the early 1930's. Until this week, however, nobody knew just what "primarily engaged" in underwriting meant.

The test case involved the Paterson (N. J.) National Bank. Two of the bank's directors were employees of Eastman, Dillon & Co., a Wall Street house. The reserve board held the Eastman, Dillon was primarily engaged in underwriting, and ordered the two directors off the bank's board. The directors countered with the argument that less than half of Eastman, Dillon business was underwriting. Brokerage and other activities, they pointed out, accounted for 61% to 74% of the firm's business in recent years.

The Reserve Board won its case in the district court, then lost when the directors appealed to the circuit court. This week, the Supreme Court reversed the circuit court; ruled that a firm could be "primarily engaged" in underwriting even though security flotations were not the most important part of its business. In effect, this means that any substantial underwriting business will be considered enough to bring a firm under the law.

FIRE UNDERWRITERS FINED

Fines of \$2,090,000 were assessed last week by the Missouri Supreme Court against 122 fire insurance companies. The decision may close the Missouri fire-rate scandal of 1935, which ultimately caused the jailing of Thomas J. Pendergast, powerful political boss of Kansas City, and State Insurance Superintendent R. E. O'Malley.

The court declared that the companies involved "obtained a fraudulent settlement of . . . insurance rate litigation by fraud and bribing of the state official charged with [supervising Missouri] insurance rates." The court also agreed with the state that the companies had "misused and abused their . . . franchises to do business" in Missouri.

The court did not agree that they should be barred from further local dealings. Instead, it assessed the fines taking into consideration the fact that the impounded funds originally sought by the companies had long since been paid to policyholders.

Individual fines ranged from \$10,000 in the case of many companies to the \$132,000 assessed against New York's Home Insurance Co., the nation's largest fire company.

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THE CLOSED SHOP

Key to Labor Monopoly

If the people of the United States are to loosen the monopoly control now exercised by some segments of union labor and recapture the power to control their own economic and political destiny, they must come to grips with the problem of the closed shop. A satisfactory solution of that problem is as vital to the interests of the wage earner, who should be fully protected in his right to organize and bargain collectively through representatives of his own choosing, as it is vital to the interests of the nation as a whole.

By the closed shop, which unfortunately is a term that seems to shed more heat than light, I mean any shop in which the worker must make his peace with a union in order to have a job. There are approximately 13½ million union members in the United States. Of these about 10 million are governed by arrangements calling for "closed" shops, union shops, maintenance of membership provisions and similar devices which make good standing in a union a condition to holding a job.

Such arrangements raise serious issues about what is commonly presumed to be the basic American right to work. Also, closed shop arrangements lie at the root of the dominant economic power now exercised by some labor leaders.

The problem of reducing the power of these labor leaders to proportions that make it safe for democracy is the age-old problem of monopoly. In an earlier era this problem was created largely by businessmen who sought to escape the restraints of competition by combinations or agreements to control prices and production. Such efforts are still attempted and must be curbed by law.

Union Labor Monopoly

But, after more than a decade during which a monopoly position for organized labor has been aggressively promoted by the federal government, the major monopolists today are those labor leaders who

wield the power of enormous nationwide unions. About 90% of the soft coal miners do the bidding of John L. Lewis. A like percentage of the auto workers are represented by the United Automobile Workers of the C. I. O. About 80% of the production workers in steel are members of the United Steel Workers, C. I. O. No single corporation has more than a fraction of the economic power that is concentrated in these unions. And if corporations were to combine their power to cope effectively with that of these union monopolies they would unquestionably find themselves charged with violating the federal antitrust laws.

In its national sweep, the monopoly power of unions rests largely on their exemption from the federal antitrust laws. My previous editorial in this series (the 53rd) discussed the desirability of removing that exemption. The local roots of this monopoly power are often embedded in closed shop arrangements.

Closed Shop In Coal

An illuminating case in point is provided by the United Mine Workers, whose leader John L. Lewis has graciously given the country a 3½-month reprieve from "the hysteria and frenzy of an economic crisis," as he himself termed it. During that latest crisis the dispatches from the soft coal fields reported that the miners were standing behind John L. Lewis almost to a man. And the implication usually was that the driving forces of the strike were loyalty to Lewis and the prospect of economic gain.

Underlying that performance, however, and basic to it was an agreement in the soft coal fields providing that "as a condition of employment all employees shall be members of the United Mine Workers." Hence to hold a job in 90% of the soft coal industry which is governed by contracts with the United Mine Workers, a miner must not offend the union. To avoid offense the union member must even be careful in criticising what his union does. Suspension from the union for

six months, and hence from the right to hold a job, is the penalty imposed by the United Mine Workers constitution for circulating a statement "wrongfully condemning any decision rendered by any officer of the organization."

The willingness of the miners to follow Lewis until the country froze over was not, of course, exclusively a product of the agreement limiting jobs in the coal fields to union members of good standing. Some of it originated in bad handling of employee relations in the coal fields in years gone by. But the fact remains that Lewis' soft coal monopoly has as one of its principal foundations an agreement which gives the United Mine Workers a job-or-no-job hold on 90% of the soft coal miners.

In its extreme form, the closed shop not only makes union membership a condition of employment but narrowly limits the numbers admitted to union membership and hence to the opportunity to work. In this way it is used to enforce restriction of output and working rules which would never stand up under free competition.

Fair Dealing

The closed shop raises major issues of personal freedom and fair dealing between individuals. As matters now stand, closed shop agreements require employers to discharge workers who lose their good standing in the unions involved. At the same time they frequently impose no requirement on unions to grant membership to law abiding and technically qualified persons. Many unions with closed shop agreements refuse to grant membership on the basis of competence. Thus, qualified workers are denied a fair chance to hold a job.

In its dealings with the closed shop issue the federal government has been pushed into a self-contradictory position. The National Labor Relations Act (the Wagner Act) provides, and properly, that "employees shall have the right . . . to bargain collectively through representatives of their own choosing." In furtherance of that basic proposition, the Wagner Act also provides that "It shall be an unfair labor practice for an employer . . . by discrimination in regard to hire or tenure of employment to encourage or discourage membership in any labor organization. . . ." Standing alone, the provision would clearly outlaw the closed shop.

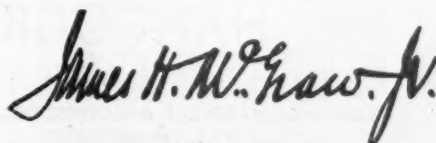
But then, to favor the closed shop, the Wagner Act turns right around and provides that "nothing in this Act . . . shall preclude an employer from making an agreement with a labor organization . . . to require, as a condition of employment, membership therein," provided that certain conditions of representation are fulfilled. This places the National Labor Relations Board in the impossible position of trying to administer a law which simultaneously points in opposite directions.

In successfully contending that there should be no closed shop arrangements on the railroads, the late Joseph Eastman, Federal Co-ordinator of Transportation, said, "If genuine freedom of choice is to be the basis of labor relations under the Railway Labor Act, as it should be, then the yellow dog contract and its corollary, the closed shop . . . have no place in the picture." The so-called yellow dog contract, which requires a worker to agree not to join a union as a condition of employment, has long since been outlawed.

At one time the closed shop was defended as a protective device for feeble young unions struggling against predatory employers. But a mere glance over the current economic scene discloses that the time when that argument was supported by the facts is past. Now it is the labor leaders who frequently exercise decisive economic power.

At elections in November three more states, Arizona, Nebraska and South Dakota, passed constitutional amendments outlawing the closed shop. In doing so, they joined six other states, which, in one way or another, have restricted the closed shop. The South Dakota amendment presented the basic issue created by the closed shop in simple and direct terms when it declared that "The right of persons to work shall not be denied or abridged on account of membership or non-membership in any labor union, or labor organization."

That issue must be squarely faced by the new Congress if its first order of business, the labor crisis, is to be resolved.



President McGraw-Hill Publishing Company, Inc.



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LABOR

Resistance to Unions Grows

Organizers face tougher fight for new members than at any time in 13 years. Opposition by employers becomes stronger, particularly in Dixie where both A.F.L. and C.I.O. drives lag.

Union organizing campaigns, which have been piling up impressive gains since federal legislation gave them impetus in 1933, began leveling off last year. With the labor law pendulum now swinging the other way in Congress (page 18), the outlook is that unions will have to fight harder for new members than at any time in the past 13 years.

Organizing efforts got a pickup in 1933 from the National Industrial Recovery Act which, among other things, provided that "employees [shall have] the right to organize and bargain collectively through representatives of their own choosing." Employers were barred from interfering or using coercion.

• **Big Growth During War**—Two years later the National Labor Relations (Wagner) Act established the National Labor Relations Board, which was charged with enforcing the right of employees to organize for collective

bargaining, as well as the ban on management interference through specified unfair labor practices.

Under NLRB—and under the influence of the war years—organized labor's strength spurted from about 3,500,000 in 1933 to about 15,000,000 in 1946. One of every four nonagricultural workers now carries a union card. Manufacturing, construction, and mining workers are from one-half to four-fifths unionized. Transportation, communications, and public utilities are only a little less solidly organized. Percentages are still minor in white-collar, wholesale and retail trade, professional and technical fields, and government. But inroads in those fields—not generally considered organizable before the war—must be considered as significant progress.

• **Tough for Organizers**—Throughout 1946, however, unions were hardpressed to hold up wartime gains. There was

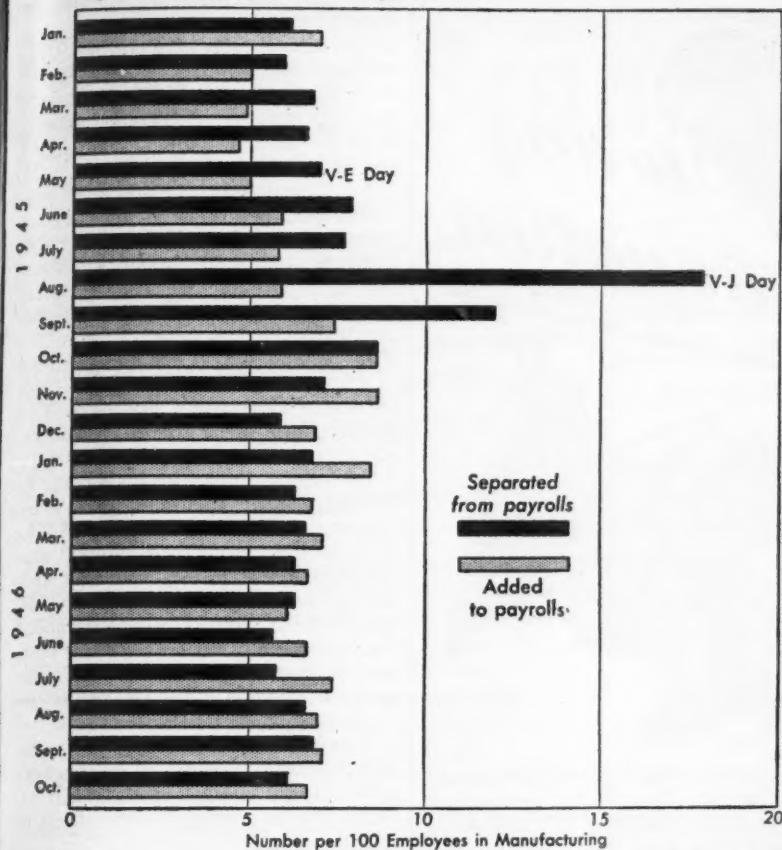


LEGAL QUESTION: SAFETY IN NUMBERS?

Herbert K. Sorrell (light hat with dark band) continues very much the central figure as Hollywood's mass trials of studio pickets get under way. Sorrell and other officials of the Conference of Studio Unions have been named in criminal conspiracy charges; other defendants, currently 328 grouped together in two trials, face contempt charges arising from picketing in defiance of an injunction. Courtrooms are too small for the proceedings, so two meeting halls have been transformed into temporary municipal court quarters.

THE LABOR MARKET TURNS

Payroll additions again exceed separations



One index to the pace of reconversion—which shows the process accomplished with high speed—is employment rolls. The widely feared pool of idleness which was to flow from war contract cancellations failed to materialize. What actually happened is graphically illustrated by a comparison of payroll separations and additions. The contract cutback phase, which affected employment figures starting in February, 1945, reached its peak when the war ended in August of that year. It took only one month to make the turn. The tightness of today's labor market is the result of industry's need to hire more workers than it lets go in an economy that is near full employment.

little new ground to be gained in coal fields, so John L. Lewis' United Mine Workers (A.F.L.) was represented in organizing primarily by its catch-all District 50 (BW—Oct. 5 '46, p95). The same thing was true in many of C.I.O.'s strongly organized heavy industries.

The unions had to seek out new organizing arenas. The United Auto Workers, for instance, turned to grey iron foundries and machine shops.

• **Resistance Grows**—There was no doubt in union circles that the organizing honeymoon was at an end, even before a series of court decisions and NLRB orders broadened the range of legal ways in which management could oppose union organizing. After these, resistance stiffened. The No-

vember election results, which many in management considered a mandate to revise the Wagner Act (BW—Dec. 28 '46, p15), toughened opposition to unions still more.

During August, September, October, and November, NLRB reports showed sharp signs of the changed attitude. Unfair labor practices complaints filed by unions against management rose precipitously to a high of 525 for October. Union victories slumped, and a steadily rising percentage of workers turned down unionization in collective bargaining representation polls.

• **More Vote "No Union"**—NLRB's latest (November) report showed that of 61,926 votes cast in collective bargaining elections in November, 69%

LAST CALL!

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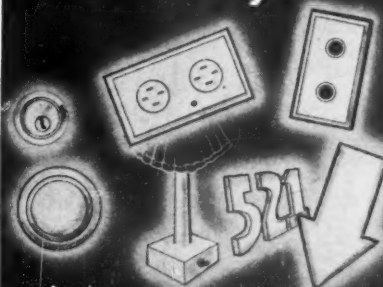
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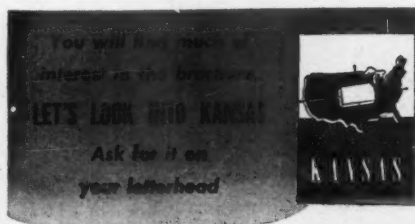
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(42,854) were for representation by a union. In October the union vote was 74%, in September 80%, and in August 74%.

"No union" votes were cast by 19,072 workers in November. In 26% of 557 elections, workers rejected representation by any union. This compared with 22% in October, 22% in September, and 20% in August.

A.F.L. craft unions maintained consistent gains nationally during the four-month period, but C.I.O. and unaffiliated industrial unions declined sharply in elections won in November as compared with the three earlier months.

• **Trouble in Dixie**—The new attitude of employers was particularly noticeable in A.F.L. and C.I.O. drives in "Operation Dixie," the unions' prime organizing arena in 1946.

A.F.L.'s southern director George L. Googe recently told the union's organizing policy board that the A.F.L. drive in 1946 brought in 250,000 new members below the Mason-Dixon line. A.F.L., according to Googe, won 350 collective bargaining elections, or about four out of every five entered. But now, says Googe, A.F.L. just about breaks even in victories "due to greatly increased employer hostility."

The veteran A.F.L. southern director said the change was caused by court decisions and a more lenient NLRB attitude toward employers' opposition to unions.

• **Bittner Reports**—C.I.O.'s southern organizing director Van A. Bittner released a more conservative report on 1946 gains. C.I.O., he said, won 304 out of 363 southern NLRB elections in which it competed (in only a few instances were A.F.L. and C.I.O. entered in the same election) and achieved a "sizable growth" in Dixie during 1946 as a result.

Tabulation of the 363 elections listed by C.I.O. shows 57,179 persons voted. Of them, 35,433 or 61% cast ballots for C.I.O. About 26% (13,691) of the remainder voted to reject union membership; the others voted a preference for A.F.L. or independent unions.

To reflect a true picture of total gains by C.I.O., membership increases in unions already holding contracts in the South would have to be added to the increases made through NLRB elections. Bittner said established locals have grown substantially, but that no figures were available. A.F.L.'s estimate of a 250,000 gain took this factor into consideration.

• **Poor Textile Showing**—Management opposition in the South was felt by C.I.O. principally in the industry in which it had greatest hopes—cotton textiles. Of 51 elections held in the industry, C.I.O. won only 23. It received only 5,228 of the total 11,853 votes

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New or Branch Plant?

The industrial area is tentatively subdivided so that individual buildings, or any groups of buildings, with desired appurtenant vacant land and adjoining roadways, can be selected for a variety of space needs and uses.

The Des Moines Ordnance Plant set a record for economical operations. It is in the center of a leading agricultural and primary marketing area. Coal fields are near by in Iowa and Illinois. The Des Moines area is in a position to supply almost any needed labor.

The facilities are well located for many products and consumer needs of a rich and populous area. Following are the fields for which they are especially suitable:

Agricultural machinery . . . Packing house supplies . . . Engines and aircraft parts . . . Air conditioning apparatus . . . Battery and rubber . . . Metalworking (including precious metals) . . . Precision screw and machine shops . . . Textiles . . . Paper products . . . Leather products . . . Household equipment . . . Flour mill machinery . . . Woodworking products . . . Electrical specialties.

GENERAL DESCRIPTION: Approximately 900 acres, about 6½ miles north of Des Moines. Adequate roadways and bus transportation.

Complete utilities, also C. & N. W. R. R. spur tracks, switching service, parking areas.

BUILDINGS—INDUSTRIAL—Seven steel, concrete and brick buildings—17,600 sq. ft., 18,000 sq. ft., 19,000 sq. ft., 61,000 sq. ft., 280,000 sq. ft., 300,000 sq. ft., 400,000 sq. ft. Six concrete and brick buildings (wood posts, beams and trusses)—3,000 sq. ft., 36,000 sq. ft., 52,000 sq. ft., 54,000 sq. ft., 230,000 sq. ft., 340,000 sq. ft.

BUILDINGS—UTILITY—Steam generating plant, two water towers, locomotive garage and shop serving interior railroad, parking shed, water treatment plant, sewage disposal plant, firehouse, pump house, reservoir.

EQUIPMENT: Plant operating and maintenance equip-

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Credit terms for purchase of this property may be arranged. And if you qualify as a small business firm, you may make application for a priority for purchase through Reconstruction Finance Corporation, which priority is second only to that of Federal agencies.

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BW-1-11

cast. Union membership was rejected by 6,355 mill workers.

Significantly, Bittner echoed C.I.O. the warning which Gouge made to A.F.L.: The going has been hard during the past few months, and with management showing more opposition, the union can mark up gains only by using greater campaigning force.

With this in prospect, C.I.O. began shifting its southern strategy. Originally it had thrown a big staff into the Dixie drive. There had been glimmers of a million new members in a year.

• **Union Trims Staff**—Currently, C.I.O. is retrenching financially, is whittling down its staff of organizers to those who have proved themselves able to produce members, and is soft-pedaling announcement of big objectives. The brunt of future organizing work will be carried by ace personnel from unions most interested in southern industry.

A part of the A.F.L. and C.I.O. protests against increased antiunion activities by management in the South can be minimized. First stages of "Operation Dixie" skimmed off the plants and workers which were easiest to organize. But there could be no doubt that November national election results had steered many employers against union organizing efforts.

U.E. AGREES ON '47 GOAL

The electrical manufacturing industry this week had an inkling of what the United Electrical, Radio & Machine Workers (C.I.O.) hopes to win in 1947 contracts.

Its national wage scale committee wound up a prenegotiation meeting last week end without elaborating on what it considers a "substantial increase" in pay. U.E.'s 1947 goal (BW—Dec. 28 '46 p70). But it did announce several significant bargaining objectives:

(1) Recovery of what U.E. says has been an \$11.72 loss in real weekly wages since Jan. 1, 1945;

(2) Employer-financed life insurance equal to a worker's annual income, the same amount of accident and disability insurance, disability benefits equal to two-thirds of average weekly pay for 13 weeks, surgical benefits up to \$150 a year, and medical care up to \$75 for each illness;

(3) An employer-financed pension plan and, where necessary, supplementary company payments to provide at least \$100 a month from combined federal social security and company payments;

(4) Severance pay in every contract. Recovery of the "lost" wages would require a pay hike of 29¢ an hour. But the union cautioned against considering this as its 1947 demand. U.E. said it stands ready to negotiate on any "sincere" offer.

Grocery Strike

Los Angeles employers and A.F.L. are unyielding in wage dispute. Stores get unexpected moral support from Dave Beck.

Los Angeles grocers and their striking clerks have dug in for a long pull, separated in their offers and demands by a differential of \$5 a week for senior clerks.

Many Independents Open—The strike began on the first business day of 1947. So far it has been a peaceful siege. This has been furthered by the union expedient of requiring members to attend meetings daily under penalty of \$5 fine.

In the first few days, several hundred independent grocers capitulated to the demand of Local 770, Retail Clerks International Protective Assn. (A.F.L.). Los Angeles thus was spared an all-out food strike.

Beck Steps In—The majority of grocers stood pat on a scale graduating up to \$55 for a 40-hour week. (The unions had demanded \$60.)

The employers received moral comfort from an unexpected source. In Seattle, Dave Beck, vice-president of the A.F.L. International Brotherhood of Teamsters, "ordered" the strikers back to work.

Beck contended (1) that the strike had not been authorized by the Los Angeles Central Labor Council, and (2) that it placed the burden on Los Angeles truck drivers of refusing to deliver merchandise to struck stores. Beck has felt close to the clerks because he helped them to organize Seattle department stores.

The striking clerks' union, with the approval of its international headquarters, told Beck to mind his own business. The union raked over some glowing embers of labor discord by referring to him as the nation's No. 1 strike-breaker.

Both Sides Unyielding—In the central dispute, there was no sign at midweek that either side was ready to yield a dollar.

Under agreements that expired Dec. 31, senior clerks received \$40 for a 40-hour, five-day week, plus time and one-half for work on a sixth day. Through the Food Industries Employers Labor Relations Council, Inc., the grocers pushed their offer up to \$55 plus premium pay for a sixth day, but the union stood firmly.

The strike originally was aimed at about 3,000 stores in the Los Angeles area. But capitulations before and since the strike deadline cut that figure almost in half.



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TRIPARTITE LABOR CONTROL IS ENDING

For six years management, labor, and the public have had a voice in the government's handling of wartime labor disputes and wage control. Their stage was provided by the National Defense Mediation Board, the National War Labor Board, the National Wage Stabilization Board.

• **End of NWSB Near**—As Congress looks for new machinery for settling peacetime labor controversies (page 18), the effort at tripartite labor control will end officially on Feb. 24. That is when the National Wage Stabilization Board dies.

For all practical purposes, however, NWSB will be out of the picture before that. It has a self-imposed deadline of Jan. 15 for completing pending cases in its eleven regional offices. At that time, regional boards are expected to be liquidated; the national board will devote the period remaining to appeals.

Any enforcement action against wage violators still pending on Feb. 24 will be handled by the Bureau of Internal Revenue; so will any violation case which may subsequently be brought to light.

• **NDMB's Brief Career**—Crippling strikes hampered the defense program as the National Defense Mediation Board was launched on its ill-fated course on Mar. 19, 1941. It was wrecked when C.I.O. "took a walk" because the board refused to order a closed shop in the captive coal mine dispute.

NDMB was replaced on Jan. 12, 1942, by the National War Labor Board. NWLB, rocked by one crisis after another, saw the war through and left wage controls to the NWSB at the end of 1945.

• **NWLB's Imprint**—NWLB adhered to three policies which will



Clarence A. Dykstra
NDMB, Mar.-July '41

William H. Davis
NDMB, July '41-Jan. '42
NWLB, Jan. '42-Mar. '45

George W. Taylor
NWLB, Mar.-Sept. '45

leave their imprint on labor relations for a long time. It (1) compromised the closed-shop issue with maintenance-of-membership, strengthening many a weak union; (2) tied wages to the cost of living through the Little Steel formula; and (3) stimulated compulsory arbitration of contract grievances.

The explosive Little Steel formula was outmoded long before wage controls were lifted, but it is far from forgotten. Maintenance of membership and the closely related principle of maintenance of dues are well established now; they appear permanent fixtures in labor relations. Compulsory arbitration of contract grievances was championed anew by President Truman this week.

• **The Leaders**—All but the first of the six chairmen of NDMB, NWLB, and NWSB stepped into their posts with considerable experience in labor relations.

The first was Clarence A. Dykstra, 63, now provost at the University of California at Los Angeles. Before heading NDMB he had been Cin-

cinnati city manager, University of Wisconsin president, and U. S. Selective Service director.

His NDMB successor was William H. Davis, 67, patent attorney and former chairman of the New York State Board of Mediation. Davis later became first chairman of NWLB, resigned to become Economic Stabilization Director. He is now a member of New York City's Board of Transportation.

George W. Taylor, 45, arbitrator in automotive and hosiery industries, conceived the Little Steel formula while NWLB vice-chairman, before moving to the top position. After resigning as chairman, he was named by Truman to head the advisory board of the Office of War Mobilization & Reconversion.

Lloyd K. Garrison, 49, was the last NWLB chairman, succeeding Taylor. When named he was on leave as dean of the Wisconsin Law School to serve as NWLB general counsel and board member. After leaving NWLB, Garrison headed the President's fact-finding panel in the General Motors contract dispute last winter. He now has law offices in New York.

Chairmanship of the NWSB went to Willard W. Wirtz, 35, a public member of NWLB. Wirtz returned to Northwestern University to teach labor law after all wage controls were wiped out last November. Technically he still is a member of the board, and serving it part-time.

But the chairman's duties are now handled by Phillips L. Garman, as acting chairman. Garman, responsible for winding up affairs of the series of tripartite boards, came up the hard way, as NWLB strikes officer.



Lloyd K. Garrison
NWLB, Sept. '45-Jan. '46

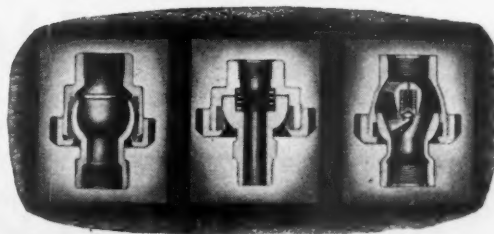
Willard W. Wirtz
NWSB, Jan.-Nov. '46

Phillips L. Garman
NWSB, Nov. '46—



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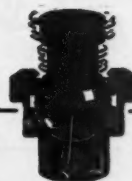
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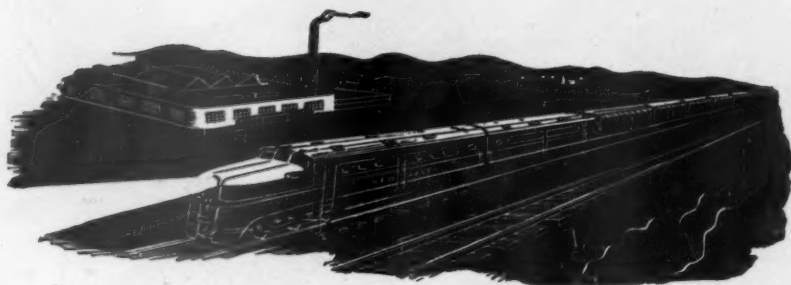
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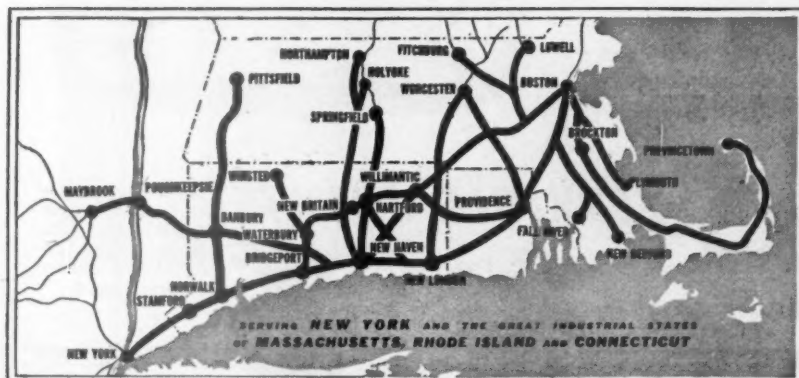
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THE NEW HAVEN R. R.



In Second Year

Three of nation's longest strikes—on T.P.&W., at J. I. Case, and in the redwood mills—show little sign of imminent peace.

Three of the nation's longest strikes were in their second year this week, and they revealed few signs of imminent labor-management peace:

(1) The Toledo, Peoria & Western R.R., struck Oct. 1, 1945, by 13 railroad brotherhoods, has resumed partial operation with nonunion personnel. Union interference has been restrained by injunction.

(2) J. I. Case's Racine (Wis.) farm equipment plant, closed by a strike Dec. 26, 1945, recently was ordered by the National Labor Relations Board to bargain collectively with the United Auto Workers (C.I.O.), and to cease what NLRB held to be unfair labor practices. Subsequently, talks with the striking union were resumed. Meanwhile, the plant is not operating.

(3) California redwood mills, struck in January, 1946, currently are operating on a sharply curtailed basis. A.F.L. sawmill workers, members of the United Brotherhood of Carpenters, have tried unsuccessfully to shut them down completely.

Compared to the duration of these three protracted disputes, the U.A.W.'s more widely publicized strike at the Allis-Chalmers Mfg. Co.'s West Allis (Wis.) plant was nine months old this week (BW-Jan. 4'46,p8).

• **Railroad Dispute**—The long fight between George P. McNear's T. P. & W. and the railroad brotherhoods (BW-Jun. 15'46,p84) entered a new phase recently when the federal court at Peoria ordered the railroad to restore service as required by the Interstate Commerce Act. The court also enjoined the unions against interfering with the road's efforts to carry out the order.

McNear wasted no time in offering reemployment, at above-standard rates, to "our former employees and former employees of the Federal Manager [during a period of federal seizure] who have not engaged in acts of violence." He said that rules and working conditions formerly in effect on the T. P. & W. would be resumed. These bar many generally accepted "featherbedding" practices, bitterly opposed by McNear.

The underlying issue of the dispute is what constitutes legitimate union practices and what is "featherbedding."

• **Court Fight Expected**—Last week McNear said that there was sufficient personnel available for operations on T. P. & W.'s 239-mile line, an important freight link because it enables east-

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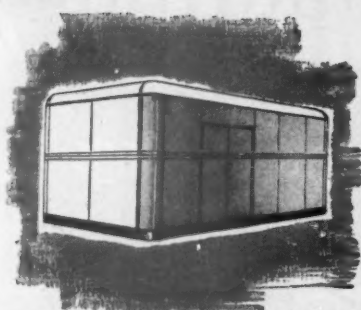


LINDSAY STRUCTURE PANELS

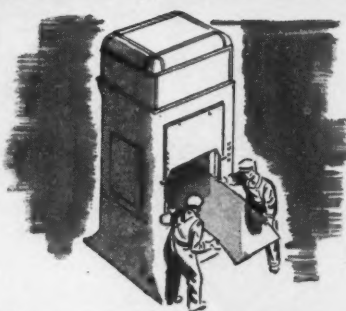
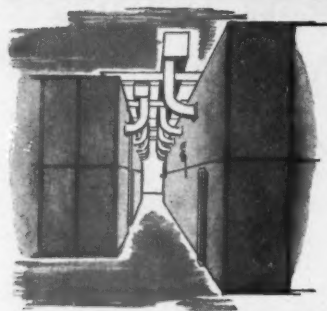
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west shippers to bypass Chicago. Shipments were moving again after embargoes, except on perishables, were lifted by connecting lines. But there were frequent delays caused by refusal of the union employees of 16 connecting roads to handle the freight from T. P. & W.'s nonunion trains.

Unions were not risking contempt of court charges by organized rejection of T. P. & W. freight on connecting lines; any action taken was localized and—to all intent—unauthorized. Next moves are expected to be in the courts. Federal Judge J. Leroy Adair has eased somewhat the picketing restrictions imposed on the union by his injunction, but the rail brotherhoods are preparing a fight to the Supreme Court if necessary.

McNear has warned that any interference by the unions or their members with T. P. & W. shipments will be fought with contempt of court charges. ● **Back to the Forests**—Meanwhile, the whine of power saws in the cathedral stillness of California redwood forests attested to the difficulty of maintaining a strike among woodsmen.

Major redwood lumber companies were struck by 5,000 A.F.L. saw operators and helpers a year ago, in a dispute over union shop and wage demands. Despite strenuous efforts by the union, production has edged up steadily since the shutdown's original paralysis. Today, struck mills are producing at about 50% of normal. The figure would be much higher if loggers were cutting redwood fast enough to keep the saws operating fulltime.

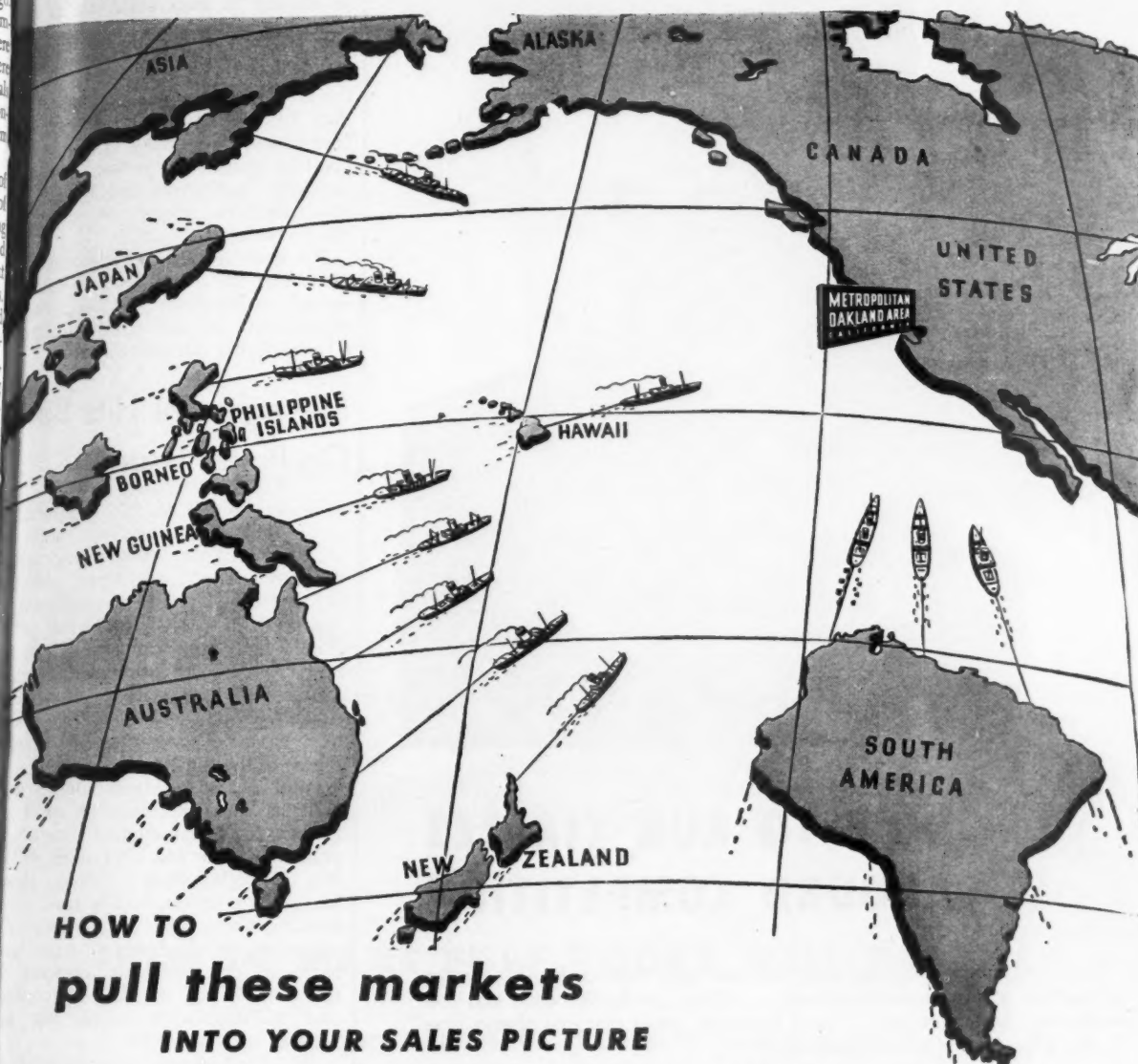
Small mills—the "peckerwoods"—have stepped up production efforts. Although the union has made no major contract concessions to minor operators, it has allowed them, for the time being, broad leeway in wage rates. Objective has been to cushion the strike shock by providing jobs for strikers.

● **All-Out A.F.L. Effort**—To patch the growing holes in strikers' ranks, the carpenters union recently sent M. A. Hutcheson, international vice-president, into the California redwood counties. Significant moves followed in rapid order:

● A new and tough strike director, Frank Chapman, was placed in charge. The union directed him to bring the strike to a successful conclusion by obtaining "maximum coordination of all our forces."

● A.F.L. President William Green called on all A.F.L. members to do "everything you can to assist" the redwood strike.

● The California State Council of Carpenters announced that henceforth an A.F.L. label will be stamped on rough lumber from approved mills to distinguish it from that produced in struck operations. Carpenter members will not



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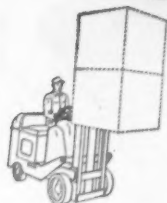
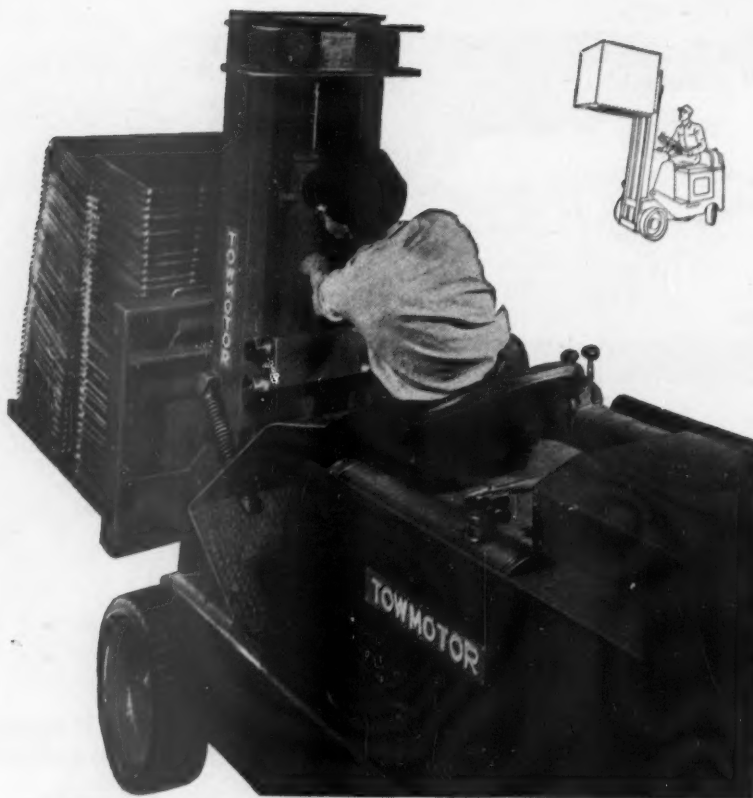
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be allowed to work with lumber for struck mills, the C.S.C.C. warned.

• **Not in the Mood**—There was strong doubt that these new efforts to make the saws would be any more successful than former ones. Negotiations have been stalled for months. The particular point of controversy is the union's demand. Indications are that if the issue could be ironed out, wage rates would be settled quickly.

But with operations approaching when logs are available, and with the union's strike lines cracking, neither management nor union has appeared in a mood to bargain seriously.

Management Hits Back On Portal Issue

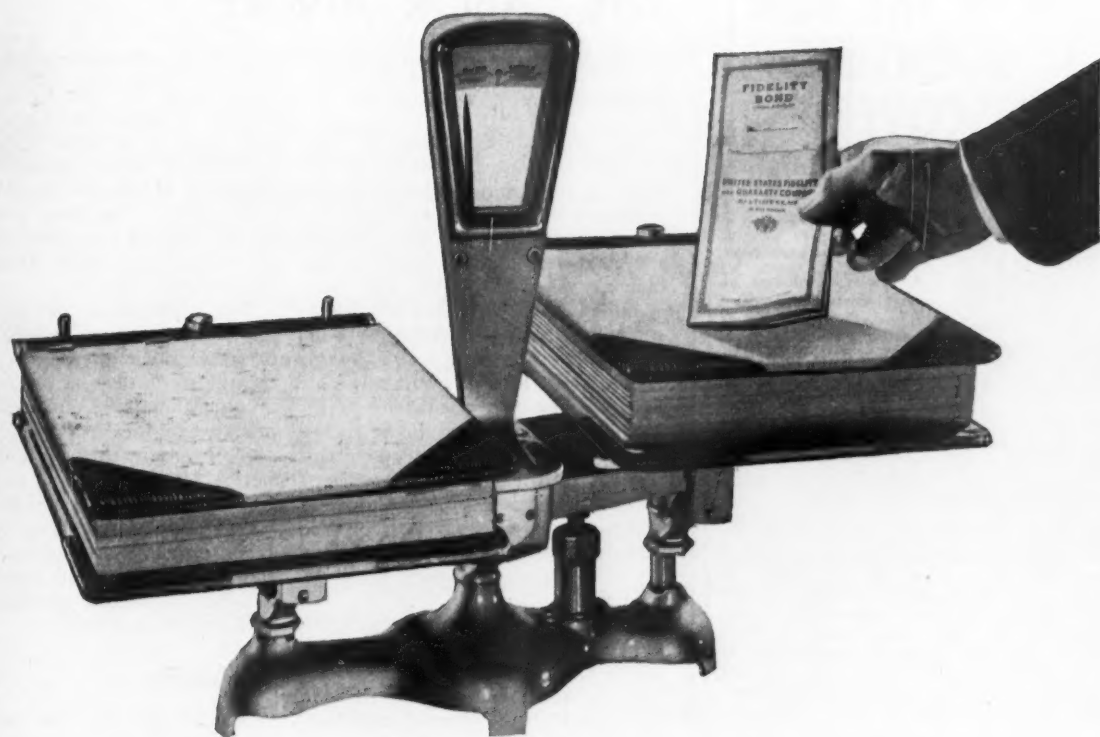
Managements of two corporations confronted with portal-pay suits this week opened legal counterattacks against the unions involved. Their objective is to establish liability of employees for productive work during the full period from start to end of a shift. While the issue is in either labor or management expense, a precedent to be set, or management to collect substantially on its claim, more than passing interest is being shown in the suits.

• **Point at Issue**—Management's argument is that if employers must pay workers for nonproductive time on the premises before and after shifts (BW, Sep. 21 '46, p. 94), then employees should be liable for nonproductive time during working hours. That would mean that employees would have to repay management for slowdowns, smoking and rest periods not specified by contract and quitting work before the final whistle.

W. F. Rockwell, president of the Rockwell Mfg. Co., at Pittsburgh, sued a local of the United Automobile Workers of America (A.F.L.) for \$15 million for alleged contract breaches including "slowdowns." Rockwell said that "for some time . . . some employees have not worked an eight-hour day or a full 40-hour week" although they have been paid on that basis. Recently, employees filed suit against the company for \$6 million portal pay and damages.

• **Limit on Output**—The basic issue involved in Rockwell's suit is the right of a union to prevent "the full application to duties" necessary for full production. According to the company, union officers "have conspired to limit piece-work production to an arbitrary figure selected by them."

In the second management suit, the Lufkin Rule Co. of Saginaw, Mich., asked the court to require the United Auto Workers (C.I.O.) to repay "unearned money" which it said workers



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have received since 1939. The company contends workers habitually have stopped work 15 minutes before the end of their shift, to wash up before

going home. They received pay, however, for the full shift. Recently employees filed suit for \$818,000 port pay, on an overtime basis.

THE LABOR ANGLE

Legislation

For those whose purpose it is to use legislation as a new device for doing a little old-fashioned union busting, the problem of writing some labor laws is simple. For anyone else it is very difficult indeed. The difficulty arises from the fact that genuine labor reform seeks two different ends, and they inevitably get in the way of each other.

The end which is commonly put first, because the reverberations of last year's strikes seem to be merging with the din of new ones approaching, is a stable labor-management relationship. Just behind it, however, is a determination to protect the individual against the capacity of every strong union to abuse his rights.

To have in the labor-management equation a unionism which is not strong enough to make its members live up to union commitments, nor strong enough to induce its members to take a backward economic step when that becomes necessary, is to have an unsettling, unstable influence on the labor front. Only through union strength is union discipline achieved; and without discipline there can be no real responsibility to contracts, to the economic facts of life, and to considerations of the public welfare. It has become axiomatic that an employer would rather deal with a strong union than with a weak one. Hence, in facing up to the problem of regulating union activity in the interest of labor-management stability, an important consideration is getting it done while, at the same time, preserving the strength of the union institution.

Reconciling

In turning from this to the problem of safeguarding the individual's rights, the conflict at once becomes apparent. It is in precisely those unions which are strongest, most responsible under their contracts, best disciplined, and best able to conduct an economic retreat peacefully, that the abrogation of individual members' rights has gone the furthest. We have had occasion be-

fore to note the fact that A.F.L.'s carpenters union offers a not unusual case study of a highly responsible organization which operates with a minimum of democracy (BW—Sep. 14'46,p102). The two characteristics are almost invariably found together, and they make a cause-and-effect relationship.

The difficulties of reconciling these two problems, which are inseparable and important to an equal degree in developing public policy on the labor front, are strikingly illustrated by the Wagner Act and its administration. Although the Wagner Act is accorded a large share of the blame for the parlous state to which labor relations have come, the fact remains that it became law with bipartisan support and remained the paramount statute governing labor relations for a decade.

Objectives

The Wagner Act had two express objectives. It was to protect the individual rights of workers in industry, and it was to increase organized labor's bargaining power. The men who administered the act had frequent occasion to realize that these two objectives were incompatible. For the most part, when they had to choose between them, they chose to increase labor's bargaining power and strengthen the union institution. However, in a recent case which involved the carpenters union and the Portland Lumber Mills Co., the National Labor Relations Board upheld the right of the individual against the union and was sustained by the Ninth Circuit Court of Appeals. Faced with what appears an insoluble dilemma, NLRB has taken positions on both sides of the question.

It may be contended, therefore, that one of the basic flaws in the Wagner Act has proved to be its inability to promote both stability and freedom jointly. Some would say that, in not being able to promote both simultaneously, the act has failed to promote either. Therefore the first question it may be wise to apply to any new labor legislation is this: Does it assure progress toward both these objectives?

INTERNATIONAL OUTLOOK

BUSINESS WEEK

JANUARY 11, 1947



Two dramatic moves on the diplomatic front—one in Asia and one in South America—will precipitate economic reactions of major importance to business.

The resignation of James F. Byrnes as Secretary of State and the appointment of Gen. George C. Marshall as his successor inevitably forecast a shift in emphasis in our foreign policy.

Gen. Marshall's courageously frank statement on the chaotic situation in China confirms all recent reports (BW—Dec. 28 '46, p. 77).

With Marshall as Secretary of State you can expect a realistic readjustment of this country's Far Eastern policy.

This readjustment will have far-reaching effects.

In China, it means that Washington will abandon its wartime goal of "urging" an amalgamation of the main political parties for something far more vigorous and realistic.

Only the U. S. has the prestige and the means of forcing a constructive program on Nanking and seeing that China is helped back on its feet.

As for our over-all program in the Orient, it is clear from the recent Washington stand on the Russian occupation of Dairen that the U. S. has for several weeks been getting set for a showdown with the U. S. S. R. on Far Eastern issues.

With Marshall's return, you can look for a full-dress review of this issue.

In part this will be a preliminary to the drawing of a peace treaty with Japan.

More importantly, it will be a part of Washington's maneuvering to force a review of all outstanding issues simultaneously with the negotiation of the German peace treaty at the Moscow conference this spring.

Business should not much longer be in the dark on this country's long-term plans in the Far East.

At present, inflation is out of control in China, communications are in chaotic condition, reestablishment of factories is virtually impossible because of shortage of supplies and disorganization of workers.

If Washington fails to adopt an aggressive policy backed by direct action, business will give up its present wait-and-see policy and turn to more stable areas.

If Washington acts boldly, China will get a belated start on the vast rehabilitation program anticipated ever since the end of hostilities.

More than an Argentine-U. S. political showdown is behind the visit of U. S. Ambassador George Messersmith to Washington.

A dozen countries are sitting on Argentina's doorstep waiting for an opportunity to make extensive trade agreements.

Last month's deal with Chile shows how shrewdly the Peron government bargains.

It also warns Americans how far half a dozen such deals would go in restricting U. S. trade opportunities in Latin America. Until the details of the

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
JANUARY 11, 1947

Argentine-Chile agreement are revealed, its full implications can only be guessed.

Known now, however, are the facts that it is rigidly bilateral; that it implies heavy Argentine investment in basic Chilean industries; that all Chilean purchases in Argentina will be channeled through a state trading organization; and that it ties into Peron's bold Five-Year Plan (page 98).

No information yet available indicates that U. S. mining interests in Chile (copper, iron, nitrates) will be directly restricted by the deal.

Nevertheless, because of the continued trend toward nationalization in both Chile and Argentina, foreign investors—particularly U. S. copper companies—are nervous over the possible repercussions.

This deal and Messersmith's visit to Washington have turned the diplomatic spotlight on Washington's hemisphere policies.

Officially, Washington is still antagonistic to the Peron government.

The continued presence in the State Dept. of Spruille Braden, former ambassador to Argentina, nullifies much that Messersmith is attempting to accomplish in developing a better understanding between the U. S. and Argentina.

Though Secretary Byrnes has remained antagonistic to the Messersmith plan congressional leaders have become sold on it, and it is in line with the Marshall brand of realism.

It looks now as though Messersmith's delayed departure for Buenos Aires means that he is waiting to confer with his new chief.

Best guess in Washington is that the State Dept. shift provides a perfect backdrop for revamping our Argentine policy, and that the Messersmith program of "getting along with" Peron will win.

The U. S. last year demanded three things of the Argentine president:

- (1) Formal acceptance of the Chapultepec agreements.
- (2) Denazification of Argentine schools.
- (3) Liquidation of Nazi properties and ousting of personalities.

If the new secretary wants to shift U. S. policy now, he can probably send a face-saving memorandum pointing out that Argentina has substantially lived up to these requirements.

Assistant Secretary Braden might then resign, and Ambassador Messersmith's more friendly program be put into effect.

India continues to make recovery strides which are bound to have beneficial effects on foreign trade.

Trading in tea—the commodity with which India hopes to create large supplies of dollars—has been returned to private hands.

And next week a British financial mission will arrive in New Delhi to open preliminary negotiations for the handling of India's sterling balances of £1,220,000,000.

Hope of U. S. observers is that the British—to win a liberal writedown of their wartime debt to India and reasonable funding arrangements on the balance—will make large supplies of dollars available to the Indians now.

BUSINESS ABROAD

German Trade

U. S. and Britain announce import-export plan for making their occupation zones into self-sustaining economic unit.

Formal economic unification of the British and American zones of Germany Jan. 1 was accompanied by announcement of import-export plans for the combined zone for the years 1947-49. At the end of that period, western Germany is expected to be a self-sustaining trading unit, no longer a burden to British and American taxpayers.

Behind the joint U.S.-British announcement lay rumors that before long the Soviets, and even the French, will agree to economic unification of Germany, as ordained at Potsdam.

• **Obstacles**—The Soviets favor unification, but their terms are stiff: upward revision of German production, with continued collection of reparations out of current output.

Both the U.S. and Britain oppose reparations collected this way. France adamantly opposes raising the level of German production for security reasons.

• **Planned or Proposed**—Hard on the heels of the import-export plan announcement, officials revealed that financial reform is due shortly. New currency is to be issued and an export value of the mark announced. The occupation mark is valued at 10¢; the external value of the mark may be set at about 30¢ (compared with a prewar value of 40¢).

At the same time, officials of the American Military Government intimated that to balance the trade of the combined zone, industrial production will have to be raised above the limits set last year by the occupying powers.

• **Debits and Credits**—The U.S. and Britain agreed to unite their zones as the only way to make them self-sustaining (BW—Nov. 23 '46, p15). Admittedly the U.S. would assume an initially larger burden of cost by sharing responsibility for the British zone. But when the two zones got on their feet it would profit from the favorable balance of trade of the British zone, expected after 1950.

During 1946, the U. S. zone exported about \$25 million, while the British zone sold about \$75 million. The U. S. has subsidized its zone at a yearly rate of \$150 million (apart from military expenses), while the U.K. has paid in about \$320 million.

The U. S. and Britain will put \$2,952,000,000 into Germany in the next three years, but will collect all but about \$1 billion in exports. After 1949 imports and exports should come into balance, and may then swing into a favorable position for Germany.

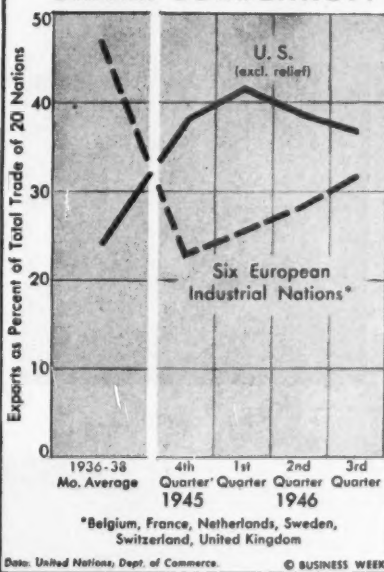
• **Trade Schedule**—Projected trade is as follows (millions of dollars):

Exports			
	U. S. Zone	U. K. Zone	Total
1947	\$100	\$250	\$350
1948	200	475	675
1949	275	625	900

Imports (combined zones)			
	Relief	Raw Materials	Total
1947	\$692	\$350	\$1,042
1948	600	375	975
1949	560	375	935

The two occupying powers will share equally the cost of imports, but distribution to the two zones will be in proportion to needs. Thus in 1947, the U. S. zone's imports will amount to \$312-million, while the British zone will require \$730 million.

U. S. EXPORTS FACE STIFFER COMPETITION



Reviving European industry is exporting to markets that the U. S. called its own throughout the war. Although the growth of U. S. exports has tapered off, and the U. S. share of world exports has declined, the dollar value remains exceptionally high and is still rising. U. S. loans, now topping \$9 billion, will sustain this trade even against rising competition, but recent price trends in the United States endanger the competitive position of U. S. products.

Britain Retools

Modernization plans bolster our machine-tool sales in U.K., but British makers offer stiff competition in world markets.

LONDON—American machine-tool builders can expect to meet stiffer British competition in export markets during 1947.

The British tool industry, far from going into a decline as in 1919, has emerged from the war in excellent health. It has expanded plant capacity, and it is able to beat United States selling prices for comparable export models.

During 1946 the industry turned out approximately 45,000 machines worth \$80 million. This roughly tripled 1936 output (the best prewar, pre-rearmament year). If 1947 output matches the level of the last half of 1946, the industry will build \$100 million worth of machines.

• **British Market**—The U. S. machine-tool industry may take some comfort from the fact that modernization of British industry has made the United Kingdom an important tool market since the war. True, British buying has become so selective as to make the import policy appear downright restrictive. But there is a reason: Britain's shortage of dollars has compelled it to husband exchange and to restrict tool purchases only to types that are not made at home.

In the first eight months of 1946, machine-tool imports from the U. S. ran to 3,838 tons, valued at \$4,670,000. They made up 86% of total British machine-tool imports.

This constitutes a substantial gain over the prewar U. S. share of British tool imports: In the rearmament year of 1938, Britain bought only 49% of its machine-tool needs in the U. S. (But in that boom year Britain bought 7,792 tons of U. S. machine tools, valued at \$6,899,000.)

• **Competition**—Chief competitor in the British market last year was Switzerland. In the first six months of 1946, Swiss sales amounted to \$555,532. This was about 10% of U. S. sales for the same period. Sweden ranked a poor third with \$173,000. Germany, once a major supplier of British needs, sold only \$85,000 worth.

• **British Sales**—During the first eight months of last year British machine-tool exports amounted to roughly 65% of production. Expanded foreign sales for the entire year are estimated at \$32 million. They reached \$4 million a month at the end of the year. This rate has been set as a target for 1947.

During the first nine months of last

year, the principal buyers of British machine tools included: France, \$7,264,000; India, \$3,800,000; South Africa, \$1,928,000; Netherlands and possessions, \$1,612,000; Australia and Belgium and possessions, \$1,440,000 each.

Radios for India

Native materials will be used in receiving set planned by Tata subsidiary. Fixed low price aims at wide market.

BOMBAY—Shooting at a market in which the immediate demand is estimated at 1,000,000 units, National Radio & Engineering Co., Ltd., a subsidiary of the far-flung Tata industrial empire, is starting production of a "People's Radio."

Now selling for the equivalent of \$28.50, the three-tube pretuned set actually costs about \$45 to produce. But next year, when output tops the present schedule of 500-600 units monthly, the retail price will drop to \$19.50. And if real mass production is decided on, cost may fall to a fraction of the current figure. In a country where there is now no domestic radio production, this is big news.

• **Native Components**—More important to industrial India are the six years of study and research which technicians have put in on the set. Of the radio's 40-odd components only three are imported—tubes, speaker, and volume control. Now a new volume control of Indian materials is in production. Within six months the firm expects to have completed tests on a speaker which can also be made of native material.

Native shellac compounds already have been developed to take the place of more expensive imported plastics; thin glass replaces costly (in India) enamel insulation.

Likewise, a new consignment of 70,000 Sylvania tubes from the U. S. at a price of \$1.35 for three, compared with \$3.60 for five as quoted by Phillips of Eindhoven, will make the set less expensive.

• **Company Sets Prices**—Tata has decided to price-fix the set—a new departure in India's free-swinging supply-vs.-demand market. It will allow distributors a 10% gross margin, and talks freely of merchandising the set itself if dealers object.

In addition to making a custom-built intercommunication system, National Radio is also planning an 8-tube battery "village set," for use in government-sponsored educational and informative programs for native populations.

• **To Expand Network**—This set, however, waits on government action to ex-

PERON'S FIVE-YEAR PLAN—I

Argentine President's Economic Revolution

Argentina's Five-Year Plan, as presented to Congress by President Juan Domingo Peron, calls for expenditures of about \$1,600,000,000 on a vast reorganization and development of the national economy. Director of the plan is a Spanish-born Argentine citizen, Jose Figuerola (below).

The plan vests sweeping power in the executive branch of government.

• **Basic Features**—The plan calls for land reform; immigration of 250,000 foreigners; improvement of the conditions of labor; social legislation; housing construction; development of national resources, including hydro-electric power, fisheries, and forests; and expansion of industry.

Peron described the plan as essentially social in character, designed to place the economic wealth of Argentina at the service of the entire popu-

lation so that every citizen might benefit from the country's wealth in proportion to his capacity and his effort toward the public good.

• **Estimated Cost**—The plan calls for expenditures of the following sums (millions of dollars) in the principal sectors of the national economy:

Public Health	\$155
Immigration	40
Fuel and Power	
Oilfields	124
Gas	54.2
Solid fuels	32.6
Vegetable fuels	11.2
Water power	128
Electricity	97
Public Works	
Navigation and ports	120
Sanitation	120
Roads	111
Transport	180
National parks & tourism	13
Buenos Aires Airport	24

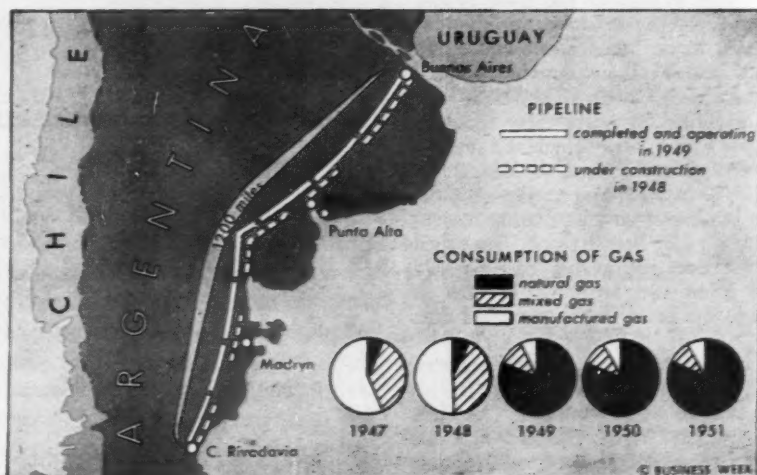
The scope and cost of the project has left many an Argentine breathless. There is considerable apprehension over the concentration of power in the executive.

Supporters of the presidential plan, however, see the moment as opportunity for expending Argentina's war-accumulated wealth on a program of national development. President Peron has described the plan as a countermeasure against deflation which will "come in two years or so."

• **New Gas Pipeline**—One spectacular project which has captured public attention is the 1,200-mi. gas pipeline from the Comodoro Rivadavia oil fields to Buenos Aires (map). In the course of the 1947-1951 plan, natural gas is to be supplied to nearly 40 additional cities and nearly 400,000 new consumers.



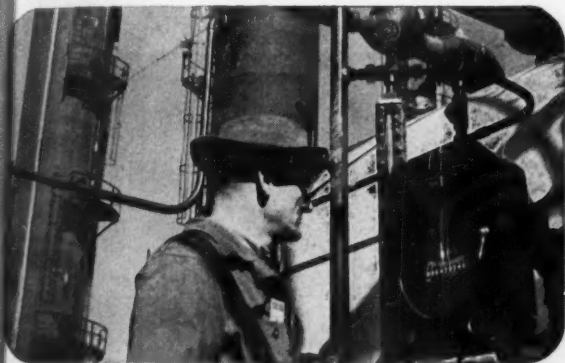
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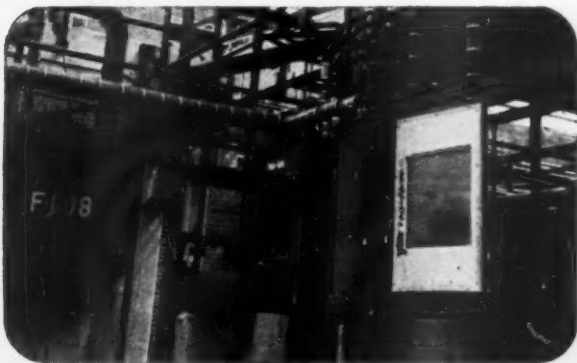
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2. Want accurate control of liquid level? For the huge Port Neches synthetic rubber project we supplied both buoyancy and ball float type Taylor Level Controllers (above) as well as hundreds of other Taylor Instruments. Taylor controls were standard equipment on the vital polymerization process in all plants.



3. These flow transmitters are part of the Taylor instrumentation for Utah Oil Refining Company in the Salt Lake City plant built as an ace-in-the-hole against the chance of Jap bombing of Coast refineries. At left, extraneous butanes feed flow transmitter. Right, depropanizer bottoms flow transmitter.



4. Want automatic control of any continuous process? This scene at new Union Oil Company plant is typical of latest developments in instrument control of aviation gasoline production. For this plant as for many others, we supplied many varieties of Flow, Liquid Level, Pressure, and Temperature instruments.

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pand the present eleven-station All-India Radio Network—the counterpart of Britain's BBC—to a point where all of India will be covered.

Meanwhile, even with present broadcasting conditions, and the admitted poverty of the country, National Radio admits it will be a long time before the demand for its "People's Radio" can be met, especially when the cheapest imported set costs about \$75 and does not always meet local requirements.

Poland Marks Progress Of Its Three-Year Plan

At the turn of the year Poland checked its production charts to see how its Three-Year Plan was coming (BW—Apr. 13 '46, p109).

• **Key Industries**—Coal production has been the chief factor in Poland's industrial recovery and the basis of its post-war trade. In the last nine months of 1945, following liberation, nationalized Polish mines produced 20,168,000 metric tons. During 1946, they produced 49,000,000 tons.

Pig iron production, scheduled to reach 703,000 metric tons, actually amounted to about 722,000 tons. Steel ingot production of 1,240,000 tons exceeded the plan goal by 10%; output of rolled steel lagged less than 1% behind the goal of 800,000 tons. The 1949 goals are for 1,600,000 metric tons of pig iron, 2,000,000 tons of steel ingots, and 1,500,000 tons of rolled steel.

Petroleum output, set at 130,000 tons for 1946, fell 4,000 tons short.

• **Private Enterprise**—As the first year of industrial recovery ended, Warsaw liberalized its nationalization order. This had affected all factories employing 50 workers or more. Now, small brick works and manufacturers of toys, furniture, iron castings, cardboard boxes, and some luxury goods (luggage and cosmetics) may employ up to 100 workers per shift without coming under the nationalization order. Other enterprises, including pickling and smoked fish works, may employ up to 150 workers; and certain glassworks, stone quarries, gravel and sand works may employ up to 200 workers under private operation.

DUTCH REFRIGERATORS

HAARLEM—To conserve foreign exchange, the Dutch government is taking steps to end imports of refrigerators.

The Haarlem shipyard, Holland-Nautic, is making refrigerators at the rate of ten a week and has scheduled a ten-fold production increase. Models being manufactured will operate on gas, oil, or electricity. During 1947, 20% of production will be reserved for the home market.

CANADA

Food Planning

Canada studies permanent legislation to control output of certain products and to fix prices and delivery schedules.

OTTAWA—Legislative provision for the fulfillment of Canada's long-term state trading food contracts will be one of the main questions before Parliament when it opens Jan. 30.

• **Amendments Planned**—War and transitional emergency legislation gave the government power to control commodities as to both their price and their distribution. That legislation expires Mar. 31 and is not to be renewed in its present blanket form.

The British wheat contract will be



EXCHANGE STUDENT

Here to see how the U. S. does it, Sir George Nelson (left) is welcomed to the RCA plant in Camden, N. J., by Frank M. Folsom, executive vice-president of RCA Victor Division. Sir George, board chairman of English Electric Co., Ltd., is considered top man in Britain's electronics' industry. His U.S. visit is significant of the postwar trend toward a friendly interchange of technological knowledge and ideas between nations.

in care of by the enactment of percent legislation as an amendment to Wheat Board Act. This will give the and greater powers.

Similar legislation will set up a meat and a dairy products board on a permanent basis. Each will be clothed with powers necessary to enable it to position part or all of the output of main products and to fix prices.

New Pork Contract—Canadian hog production has fallen off because of the combined influence of unsatisfactory prices and shortage of feed. Now Minister of Agriculture James Gardiner is trying to correct both. He first got a contract with the British food ministry, sole buyer of exported Canadian hogs, increasing the price of Wiltshire hogs from \$25 to \$29 a cwt. It means \$4 per hog more for the farmer and something for the packing industry, squeezed by recent wage increases.

The new price schedule becomes effective next Sept. 1 on a contract which runs until the end of 1948. Last year Canada fell down on its pork contract with Britain, delivered 285,000 lb. on an agreement to supply 350,000. For 1947, the British contract was for minimum deliveries of 350,000 lb. and maximum of 400,000 lb.

Long-Range Program—The British government, hard put to maintain its bacon ration and unable to purchase much pork from Denmark, was ready to pay even higher prices. A combination of the desire to keep Canadian domestic prices stable and to insure a long-term market in England led to the agreement on the \$4 increase.

As a key point in the farm price stabilization program Gardiner is trying to keep food contracts with Britain tied up on all major products at least a year ahead.

Butter Held Off Market—At home, a glut of imported butter was held over in dairy trade with a view to luring it out of storage.

In the middle of a slack winter processing season, the prices board found that butter ration of six ounces per week threatened by the smallness of supplies coming on the market. It suspected that stocks were being held for a price rise when price controls and subsidies are cut back.

In effect, the announcement by Gardiner means that the price increase will not come until farms get into heavy production again in April.

Import Threat—Butter sells in Canada at 44¢ a pound in most areas and there is a subsidy on butter fat of 8½¢ a pound. Canada's butter production and consumption about balance, with little exported or imported. The import threat refers to the fact that Australia and New Zealand butter, now excluded from Canada, sells for lower prices.

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THE MARKETS

(FINANCE SECTION—PAGE 1)

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
Industrial	147.2	146.9	147.1	170.1
Railroad	47.4	47.7	50.3	65.9
Utility	80.7	81.2	79.3	84.5
Bonds				
Industrial	122.6	123.6	122.8	123.6
Railroad	114.0	113.5	113.0	118.6
Utility	110.9	112.2	112.9	116.0

Data: Standard & Poor's Corp.

1947 Markets Dull

Through Wednesday of this week 1947 stock market sessions were exceedingly dull. Not once did New York Stock Exchange daily trading volume cross the million-share mark. The traditional "January rise" just didn't show up. And any sizable price changes appeared to be more the result of thin markets than of any fervent desire to buy or sell.

• **Looking to Congress**—To Wall Street and market participants, the President's message to Congress this week (page 17) clarified none of the uncertainties that have been retarding any revival of the early-1946 enthusiasm for shares generally.

That group, instead, is sticking to its postelection belief that Congress will hereafter determine future market trends. This is particularly true in labor matters, since the state of labor-management relations will largely determine 1947 business prospects.

• **Motors and Steel React**—Brokerage boardrooms are now flooded with ru-

mors that the C.I.O. will prove tougher than a year ago in negotiating with the steel and auto industries. W settlements on the basis of 12¢-to-15¢ per-hour increases in contrast to 25¢ 30¢ demands are predicted.

Those stories haven't been without some effect. Motor and steel stocks lately have been doing better-than-average because of reported switching to various "light goods" issues to attract shares. Activity of this sort is said to have been noticeable in investment circles also.

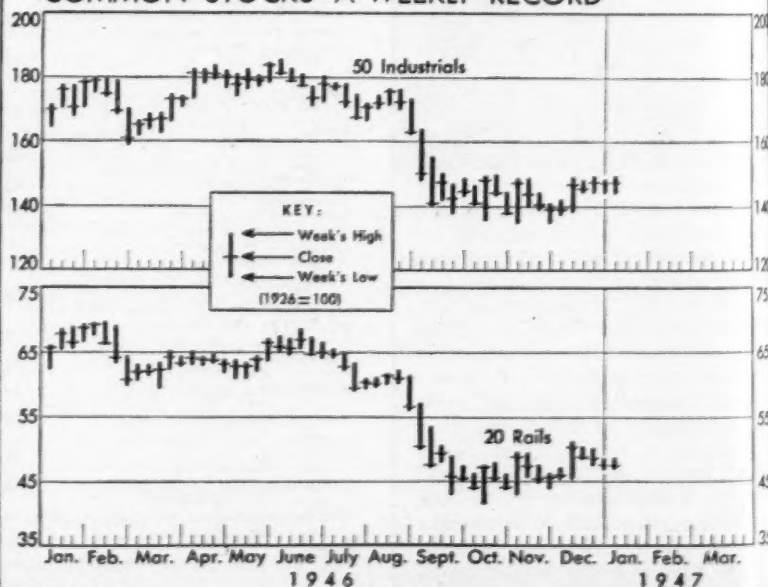
Most traders and investors still appear of the opinion that these rumors are mainly wishful thinking. They are not going to scramble for stocks without more convincing evidence.

• **Stock Issue Ignored**—In the new issues market underwriters continue to show considerable caution. They are no longer blindly bidding for offerings when limits on the price, interest, or dividend rate restrict bids.

Birmingham Electric Co., for example, received no bids this week for preferred stock for which it was demanding a dividend rate of not over 4.2% and a price of at least par. Three groups finally concluded that at least a 4.5% dividend rate was necessary and withdrew from the competition.

• **Little Budget Reaction**—The budget submitted by the President

COMMON STOCKS—A WEEKLY RECORD



Data: Standard & Poor's Corp.

© BUSINESS WEEK

... (page 17) is not expected to have real repercussions on the stock market, the corporate and government bond markets, or on money rates generally. It indicates no heavy retirements such as were seen in 1946. Only \$1 billion of issues are scheduled to be paid off, a factor which should reassure any who might have been expecting the continuance of a hammer-and-tongs retirement policy.

It's the first balanced budget forecast in many years—even if the favorable balance is a scanty one. But it should be remembered that the President merely proposes the budget. Investors must watch Congress to see how it develops into final form.

Higher Wages—A Case Study

For an example of the financial damage that militant wage demands can inflict on some corporations, examine the unpromising fiscal picture presented by Western Union Telegraph Co.

In the early war years the company had annual profits averaging around \$1,000,000. Even back in 1933 it earned \$360,000.

But the picture has changed. Since V-J Day Western Union has experienced costly labor troubles. Two sharp wage hikes have been necessary. Payrolls are now absorbing some 70% of revenues. The final report for 1946 is expected to show a \$12,000,000 loss. **Stock Reaction**—Wall Street has watched closely. What has occurred lately to the price of the company's shares demonstrates the power labor has come to exert marketwise.

Last year Western Union Class A stock fell almost 68% under its 1942-46 all-market high; this was decidedly worse than the market's average performance. And in early 1947 the stock was shown a dire lack of rallying power.

Its Mounting Troubles—Western Union's present financial headache started soon after V-J Day when the National War Labor Board awarded increases adding some \$25,000,000 to its annual payroll. But not even that proved satisfactory to all the unions representing Western Union workers.

Particularly displeased was the left-leaning American Communications Assn. (C.I.O.). It soon called a five-week strike in the New York area, estimated to have cost the company an actual loss of \$2,100,000 (BW—Apr. 20 '46, p. 86).

Early 1946 also saw Western Union's business badly affected by labor troubles in other fields. Instead of the record-breaking revenues once expected Western Union's income dropped under 1945 levels in early 1946. And by the end of June the company had rolled up a \$5,141,000 deficit.

Rates and Wages—The Federal Communications Commission approved a

10% rate rise in June to offset 1946's sharply higher wage costs. But Western Union's labor troubles weren't over. Another wage increase was demanded. By September negotiations with its unions had collapsed and Western Union was threatened with a nationwide strike.

The appointment of a federal fact-finding board then followed. It was quick to reject the claim that Western Union was financially unable to raise wages further since "ability to pay" constituted no "absolute determinant of wages." Another boost was soon recommended. The company agreed to this one, too, though it estimated the yearly cost at \$23,600,000.

To compensate for this second wage increase, FCC agreed to another 9.8% upping of Western Union rates. Both 1946 rate raises, however, will fall far short of offsetting the wage hikes. In fact, they aren't expected to expand revenues by more than \$30,000,000 or so yearly.

• **Competitive Position**—Another factor not to be ignored is the possible effect of rate hikes on Western Union's future competitive position.

For long distances telegraph rates are now close to parity with telephone tariffs. The new 5¢ air-mail rate probably will offer additional strong competition.

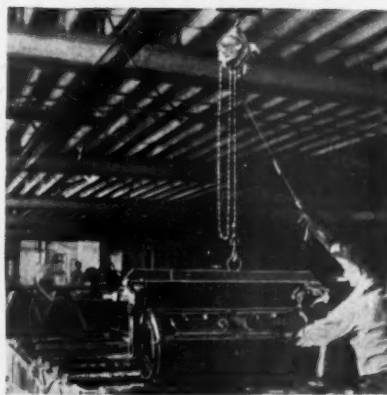
• **Durr Proposals**—Last year's rate rises weren't granted unanimously by FCC. Commissioner Clifford J. Durr dissented each time. In his latest dissent Durr also expressed fear that Western Union was headed for bankruptcy. As a possible solution he suggested merging the company into the Bell Telephone System, or postoffice department.

Durr says its recent wage raises aren't the cause of Western Union's troubles. Instead, he thinks its "accumulated deficiencies have caught up with it." And he believes a streamlining program now under way, expected to cost some \$70,000,000, has been begun too late to do much good.

Durr's proposals would require special legislation. But he is pretty much of a left-wing lone eagle on FCC. Hence observers doubt that a Republican Congress will regard his suggestions at all seriously.

• **Prospects**—FCC as a whole also has some doubts about the future. When approving the June rate increase it unsuccessfully sought congressional funds to finance an exhaustive investigation into Western Union's situation. Since then it has put the proposal up to the Budget Bureau.

In the interim, a solution of Western Union's predicament appears remote. Dividends, \$2 annually during 1941-45, ceased in 1946. Wall Street rather expects this drought to continue for some time.



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THE TREND

CHICKENS AND US

During the past year over a million copies of Betty MacDonald's little book, "The Egg and I," have been sold, and the book still lingers right around the top of the best seller lists. Except perhaps to the great Pacific Northwest, whose physical and cultural glories it portrays rather dimly, this is, on the whole, a pleasing phenomenon.

In one particular, however, the book, which is concerned largely with what are not the joys of frontier poultry ranching, may be fostering a consequential misapprehension. This possibility is suggested by the author's fervent observation, "Chickens are so dumb—any other thing which you fed 365 days would get to know and perhaps love you. Not the chicken."

In that statement, and indeed throughout the book, there is the implication that compared to chickens, human beings are pretty smart. That is where the book may well be encouraging some quite unjustified human smugness.

Heaven knows, we hold no brief for either the perspicacity or personality of chickens. But we are reasonably confident that, if we had been viewing the human parade in recent years from a chicken's point of view, we might very well be remarking, "Human beings are so dumb."

In reaching such an uncomplimentary conclusion it would not be necessary for chickens to go outside of the range of their immediate dealings with the human race. For example, a perceptive chicken could not help observing how we humans recently set up an elaborate system of poultry price control, and then set up an even more elaborate black market system to circumvent it. A

bird so equipped would also observe that, when chickens work particularly hard and present humans with a bountiful supply of eggs, the human race turns right around and fixes an arbitrarily high price for eggs to bar itself from the joys of plenty.

However, it is perhaps in the works of our most exalted judicial body, the United States Supreme Court, that chickens would get their most striking insight into the intellectual limitations of the human race. In reviewing the decisions of this court at its last term, they would come upon the case of *M. Kraus & Bros., Inc., vs. the U.S.* The problem presented was whether a seller of turkeys, which were in very short supply, had violated a law designed to fix a maximum price for turkeys by forcing turkey purchasers to buy supplies of chicken feet and chicken skin in order to get the turkeys.

With that positive ground for disagreement which the court has developed, split in several directions, but a majority came to with the conclusion that no law violation was involved. Whether, in contrast to an earlier decision ending the NRA, which came to be popularly known as the side chicken case, this will come to be known as the side court case remains to be determined. In the meantime we limit ourselves simply to the point that our friends in the poultry yard might be excused for resenting the crack, "Chickens are so dumb."

In the light of our record in recent years vis-a-vis the chicken, we are particularly gratified that our first grant of the Trend Award, announced elsewhere on this page is for a sensible decision on a poultry problem.

THE TREND AWARD

Strictly as a public service, the Trend announces the creation of its AWARD FOR THE EXERCISE OF ECONOMIC WISDOM UNDER CIRCUMSTANCES PROVIDING POWERFUL TEMPTATION TO BE STUPID.

Whether the TREND AWARD will take the form of a medal, a certificate, or simply a hearty salute to the recipient remains to be determined. So, too, does the frequency with which it will be bestowed. We hope that the number of occasions for its bestowal will mount rapidly, but on the record we cannot be confident about that.

In the meantime we are proud to announce as the first recipient of the TREND AWARD—

The Associated Poultry & Egg Industries, an association of producers and processors of poultry and its products.

The action on the part of the association which occasions the TREND AWARD is its petition to the Secretary of Agriculture to cancel the application to poultry and eggs of the federal program to support prices at 90% of parity for two years after hostilities are formally declared at an end, a declaration made a few days ago.

The primary reason assigned by the association for this action, which reflects its extraordinary economic wisdom, is that continuation of support for poultry and egg prices at arbitrarily high levels will encourage production at a rate which cannot be sustained without it, and thus upset orderly readjustment of the industry to postwar conditions, to its ultimate peril.

In asking that the price-support program for its products be abandoned, the association turns its back on a free ride on the government price-support gravy train. In so doing it rejects a temptation so powerful that it is certain that most farm organizations will find it irresistible.

In seeking exemption, however, the association takes a position which is unmistakably in accord with the long-range interests of its industry, and thus becomes preeminently qualified for an award.

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